

ORIGINAL

RECEIVED

JUL 26 2018

PUBLIC SERVICE
COMMISSION



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**NOTICE OF TERMINATION OF CONTRACTS)
AND APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A)
DECLARATORY ORDER AND FOR)
AUTHORITY TO ESTABLISH A REGULATORY)
ASSET)**

**Case No.
2018-00146**

**Attachment for Response to Item 4 [Part 2 of 2] of the
Kentucky Industrial Utility Customers, Inc.'s
Second Request for Information
dated July 16, 2018**

- (7) RUS 2009 Loan Contract (\$602.5MM Ser. A & \$245.5MM Ser. B);
- (8) CFC 2012 Loan Agmt. (\$302MM Refi Note Ser. 2012B & \$43.5MM Equity Note);
- (9) CoBank 2012 Loan Agmt. (\$235MM Ser. 2012A);
- (10) Series 2010A PC Bonds Prospectus (\$83.3MM); and
- (11) CFC-FMAC 2017 Loan Agmt. (\$15MM)

FILED: July 26, 2018

ORIGINAL

**AMENDED AND CONSOLIDATED
LOAN CONTRACT**

Dated as of July 16, 2009

between

BIG RIVERS ELECTRIC CORPORATION

and

UNITED STATES OF AMERICA

RUS Project Designation:
Big Rivers

Exhibits

- Exhibit A** **Lockbox Agreement**
- Exhibit B** **Equal Opportunity Contract Provisions**
- Exhibit C** **Description of Rating Agency Services**
- Exhibit D** **Wholesale Power Contracts**

AMENDED AND CONSOLIDATED LOAN CONTRACT

THIS AMENDED AND CONSOLIDATED LOAN CONTRACT, dated as of July 16, 2009, is between BIG RIVERS ELECTRIC CORPORATION (together with any successors and assigns, the "Borrower"), a cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky, and the UNITED STATES OF AMERICA (the "Government"), acting by and through the Administrator (together with any person succeeding to the powers and rights of the Administrator with respect to this Agreement, the "Administrator") of the Rural Utilities Service (together with any agency succeeding to the powers and rights of the Rural Utilities Service with respect to this Agreement, the "RUS");

RECITALS

WHEREAS, the Borrower previously incurred, pursuant to the Act (as defined in Article I) and under the Existing Loan Contract (as defined below), certain indebtedness and other obligations to, or guaranteed by, the Government, acting by and through the Administrator of the RUS, which indebtedness and other obligations are evidenced by the RUS Notes (as defined in Article I); and

WHEREAS, in connection with the loans and other obligations evidenced by the RUS Notes, the Borrower and the Government, acting by and through the Administrator of the RUS, have entered into that certain New RUS Agreement, dated as of July 15, 1998, (the "Existing Loan Contract"); and

WHEREAS, to secure the indebtedness and other obligations evidenced by the RUS Notes and to secure certain other indebtedness, the Borrower entered into that certain Third Restated Mortgage and Security Agreement, dated as of August 1, 2001 (the "Mortgage"), by and among the Borrower, as mortgagor, and the Government, acting by and through the Administrator of the RUS; Ambac Assurance Corporation; Dexia Bank (as successor to Credit Suisse First Boston); U.S. Bank Trust National Association as trustee; National Rural Utilities Cooperative Finance Corporation; PBR-1 Statutory Trust; PBR-2 Statutory Trust; PBR-3 Statutory Trust; FBR-1 Statutory Trust; FBR-2 Statutory Trust; and Ambac Credit Products, LLC, as mortgagees, the ("RUS Mortgage"); and

WHEREAS, simultaneously herewith, the Mortgage is being released and, pursuant to the Indenture (as defined in Article I), Borrower has granted a security title to and a security interest in substantially all of its real and personal property to secure the RUS Notes and the certain other obligations secured under the Indenture, as more particularly set forth therein; and

WHEREAS, in connection with the release of the Mortgage and the substitution of the Indenture, the Borrower and the Government intend to amend, restate and consolidate the Existing Loan Contract as herein set forth; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto amend and consolidate the Existing Loan Contract to read in its entirety, and agree and bind themselves, as follows:

ARTICLE I.

DEFINITIONS

Capitalized terms that are not defined herein shall have the meanings set forth in the Indenture. The terms defined herein include both the plural and the singular. Unless otherwise specifically provided, all accounting terms not otherwise defined herein shall have the meanings assigned to them, and all determinations and computations herein provided for shall be made, in accordance with Accounting Requirements.

“Accounting Requirements” shall mean the requirements of the system of accounts prescribed by the RUS.

“Act” shall mean the Rural Electrification Act of 1936, as amended.

“Agreement” shall mean this Amended and Consolidated Loan Contract, together with all schedules and exhibits hereto, and also all subsequent supplements or amendments hereto.

“Business Day” shall mean any day that the RUS is open for business.

“Capital Assets” shall mean all tangible and intangible utility plant, construction in progress, non-utility property, material supplies and equipment normally used in the Borrower’s system.

“Credit Rating” shall mean a rating assigned by a Rating Agency (i) to any long-term indebtedness (that is not subject to Credit Enhancement) (including, without limitation, indebtedness issued by any governmental authority with respect to which the Borrower is an obligor) and secured directly or indirectly under the Indenture or (ii) if a Rating Agency has not assigned a rating to indebtedness of the type described in clause (i) hereof, a “shadow rating” of the Borrower’s senior, secured long-term indebtedness (that is not subject to Credit Enhancement).

“Competitive Transition Charges” means amounts that the Company is authorized or permitted to collect, directly or indirectly, from the ultimate consumers of electric power and energy under state or federal statutes or regulations enacted or promulgated in connection with the opening of the electric markets to retail competition, whether or not such consumers are taking energy supplied directly or indirectly by the Company. It is intended that this definition be broadly construed in order to take into consideration the changing nature of the electric utility industry resulting from the implementation of retail competition.

“Distributions” shall mean for the Borrower, in any calendar year, to declare or pay any dividends, or pay or determine to pay any patronage refunds, or retire any patronage capital or make any other Cash Distributions, to its members, stockholders or consumers; provided, however, that for the purposes of this Agreement a “Cash Distribution” shall be deemed to include any general cancellation or abatement of charges for electric energy or services furnished by the Borrower, including the rebate of an abatement of wholesale power costs previously incurred pursuant to an order of a state regulatory authority or a wholesale power cost adjustment clause or similar power pricing agreement between the Borrower and a power supplier, but not including the repayment of a membership fee upon termination of a membership.

“Equity” shall mean the Borrower’s total margins and equities computed in accordance with Accounting Requirements but excluding any Regulatory Created Assets.

“Event of Default” shall have the meaning as defined in Article VI of this Agreement.

“Existing Loan Contract” shall have the meaning set forth in the second WHEREAS clause of this Agreement.

“Fitch” shall mean Fitch IBCA, Inc., and any successor thereto.

“General Manager” shall mean the President and Chief Executive Officer of the Borrower or the person performing the duties of a chief executive officer if no person holds such title and, in the event of any dispute between the Borrower and the Government as to who is the General Manager, the Administrator may designate a person or position that shall be the General Manager for purposes of this Agreement.

“Indenture” shall mean the Indenture, dated as of May 1, 2009, entered into by the Borrower and U.S. Bank National Association, as trustee, and all amendments and supplements thereto.

“Interest Expense” shall mean the interest expense of the Borrower computed pursuant to Accounting Requirements.

“Investment” shall mean any loan or advance to, or any investment in, or purchase or commitment to purchase any stock, bonds, notes or other securities of, or guaranty, assumption or other obligation or liability with respect to the obligations of, any other person, firm or corporation, except investments in securities or deposits issued, guaranteed or fully insured as to payment by the Government or any agency thereof and except any other investments set forth in the RUS Regulations (7 C.F.R. § 1717.655) as excluded from computations of the amounts and types of investments for which RUS approval is required.

“Investment Grade” means a Credit Rating of BBB- (or its then current equivalent) or higher, if issued by S&P or Fitch; Baa3 (or its then current equivalent) or higher, if issued by Moody’s; and any comparable investment grade rating if issued by any other Rating Agency.

“Laws” shall have the meaning as defined in Paragraph (e) of Article II of this Agreement.

“Loans” shall mean the loans and other obligations described in Article III of this Agreement.

“Loan Documents” shall mean, collectively, this Agreement, the Indenture, the Lockbox Agreement and the RUS Notes.

“Material Adverse Effect” shall mean a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower or on the ability of the Borrower to perform its obligations under the Loan Documents.

“Moody’s” shall mean Moody’s Investors Service, and any successor thereto.

“Net Utility Plant” shall mean the amount constituting the Total Utility Plant of the Borrower, less depreciation, computed in accordance with Accounting Requirements.

“Permitted Debt” shall have the meaning set forth in Section 5.25.

“Prior Loan Contracts” shall mean have the meaning as defined in Section 8.16.

“Prudent Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. “Prudent Utility Practice” is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to include a spectrum of possible practices, methods or acts generally in acceptance in light of the circumstances.

“Rating Agency” shall mean S&P, Moody’s, Fitch or, provided that it is acceptable to the RUS, any other nationally recognized statistical rating organization (within the meaning of the rules of the United States Securities and Exchange Commission).

“Regulatory Created Assets” shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets, 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 years and covering property having an initial cost of \$250,000 other than aircraft, ships, barges, automobiles, trucks, trailers, rolling stock and vehicles; office, garage and warehouse space; office equipment and computers. Restricted Rentals shall not include any amounts paid under any of the Facility Leases (as defined in the Indenture).

“RUS Notes” shall mean the RUS Series A Note and the RUS Series B Note.

“RUS Regulations” shall mean the rules, regulations and bulletins of general applicability published by the RUS from time to time as such rules, regulations and bulletins exist at the date of applicability thereof, including but not limited to the rules and regulations set forth at 7 C.F.R. 1700, and, unless the context clearly demonstrates a contrary intent, shall also include any rules and regulations of other Federal entities which the RUS is required by law to implement.

“RUS Series A Note” shall mean that RUS 2009 Promissory Note Series A, dated July 16, 2009 in the stated principal amount of \$602,573,536 executed by the Borrower and delivered to the Government.

“RUS Series B Note” shall mean that RUS 2009 Promissory Note Series B, dated July 16, 2009 in the stated principal amount of \$245,530,257.30 executed by the Borrower and delivered to the Government.

“Smelter Contracts” and each a “Smelter Contract” shall mean (i) the Wholesale Electric Service Agreement (Alcan) dated as of July 1, 2009 by and between the Borrower and Kenergy Corp., (ii) the Wholesale Electric Service Agreement (Century) dated as of July 1, 2009 by and between the Borrower and Kenergy Corp., (iii) the Retail Electric Service Agreement dated as of July 1, 2009 by and between Kenergy Corp. and Alcan Primary Products Corporation, (iv) the Retail Electric Service Agreement dated as of July 1, 2009 by and between Kenergy Corp. and Century Aluminum of Kentucky General Partnership, (v) the Coordination Agreement dated as of July 1, 2009 by and between the Borrower and Alcan Primary Products Corporation, and (vi) the Coordination Agreement dated as of July 1, 2009 by and between the Borrower and Century Aluminum of Kentucky General Partnership.

“Special Construction Account” shall have the meaning as defined in Section 5.22.

“Subordinated Indebtedness” shall mean secured indebtedness of the Borrower subordinated to the prior payment of the RUS Notes.

“Subsidiary” shall mean a corporation that is a subsidiary of the Borrower and subject to the Borrower’s control, as defined by Accounting Requirements.

“S&P” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

“System” shall have the meaning as defined in the Indenture.

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

“Total Utility Plant” shall mean the amount constituting the total utility plant (gross) of the Borrower computed in accordance with Accounting Requirements.

“Unwind Transaction” shall mean the termination of the contractual relationships and property interests contemplated by the Transaction Termination Agreement dated as of March 26, 2007 among the Borrower, LG&E Energy Marketing Inc. and Western Kentucky Energy Corp.

“Wholesale Power Contracts” shall mean, collectively and individually, the wholesale power contracts in effect between the Borrower and each of its member distribution cooperatives, which are described in the attached Exhibit D, and all amendments, supplements or replacements thereto or thereof.

ARTICLE II.

REPRESENTATIONS AND WARRANTIES

Recognizing that the RUS is relying hereon, the Borrower represents and warrants, as of the date of this Agreement, as follows:

(a) *Organization; Power, Etc.* The Borrower: (i) is duly organized, validly existing, and in good standing under the laws of the Commonwealth of Kentucky; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform its obligations under the Loan Documents; and (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations and approvals which are necessary to the conduct of its business or required by applicable Laws.

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

(c) *Consents.* No consent, permission, authorization, order or license of any governmental authority is necessary in connection with the execution, delivery or performance of the Loan Documents, except such as have been obtained and are in full force and effect.

(d) *Binding Agreement.* Each of the Loan Documents, the Wholesale Power Contracts and the Smelter Contracts is, or when executed and delivered will be, the legal, valid, and binding obligation of the Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed in equity or by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

(e) *Compliance With Laws.* The Borrower is in compliance in all material respects with all federal, state and local laws, rules, regulations, ordinances, codes and orders (collectively, "Laws"), the failure to comply with which could reasonably be expected to have a Material Adverse Effect.

(f) *Litigation.* There are no pending legal, arbitration or governmental actions or proceedings to which the Borrower is a party or to which any of its property is subject which, if adversely determined, could have a Material Adverse Effect, and to the best of the Borrower's knowledge, no such actions or proceedings are threatened or contemplated, except as the Borrower has disclosed to the RUS in writing.

(g) *Financial Statements, No Material Adverse Change; Etc.* The financial statements, including RUS Form 12, submitted to RUS fairly and fully present the financial condition of the Borrower and the results of its operations as of December 31, 2008 and were prepared in accordance with Accounting Requirements consistently applied. Since December 31, 2008, there has been no material adverse change in the financial condition or operations of the Borrower. The financial statements submitted to the Kentucky Public Service Commission in connection with Unwind Transaction (Case No. 2007-0045) fairly and fully presented the financial condition of the Borrower and the results of its operations at the time of their filing (subject to any final year-end adjustments and footnotes) and any projections filed by the Borrower in the proceeding of the Kentucky Public Service Commission to approve the Unwind Transaction were based on assumptions which were commercially reasonable at the time any such projections were filed.

(h) *Budgets; Projections; Etc.* All budgets, projections, feasibility studies, appraisals, and other documentation submitted by the Borrower to the RUS and any Rating Agency then assigning a Credit Rating are based on assumptions that are reasonable and realistic, as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(i) *Location of Properties.* All property and interests therein of the Borrower are located in the states and counties identified in the Indenture.

(j) *Principal Place of Business; Records.* The principal place of business and chief executive office of the Borrower is at the address of the Borrower specified in Section 8.2.

(k) *Subsidiaries.* The Borrower has no Subsidiaries other than Big Rivers Leasing LLC, a Delaware limited liability company.

(l) *Defaults Under Other Agreements.* The Borrower is not in default under any agreement or instrument under which the Borrower is a party or to which any of its property is subject that could reasonably be expected to have a Material Adverse Effect.

(m) *Title to Property.* As to the property which is included in the description of the Trust Estate, the Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any lien or encumbrance other than Permitted Exceptions and liens permitted by Section 14.6 of the Indenture.

ARTICLE III.

THE LOANS

Section 3.1. The Existing Loans

The Borrower has borrowed funds from the Government, acting by and through the Administrator of the RUS, evidenced by the RUS Notes, has agreed to reimburse the Government, acting by and through the Administrator of the RUS, for the amounts borrowed pursuant to the terms of the RUS Notes.

Section 3.2. No Further Advances

The Borrower acknowledges and agrees that all amounts to be advanced to the Borrower under the RUS Notes have been advanced and the Government, acting by or through the Administrator of the RUS, is under no obligation to make any further advances to the Borrower under the RUS Notes.

Section 3.3. Interest Rates and Payment

(a) *Interest Rates.* The RUS Notes shall be payable and bear interest, as therein provided.

(b) *Application of Payments.* All payments made to RUS on the Borrower's behalf or for the account of the Borrower shall be accepted by the Government and shall be applied as follows: (i) first, if and only if, at the time of the Government's receipt of such amounts, any payments are then due and owing under the RUS Series B Note, then such amounts shall be applied to the RUS Series B Note to the extent, and only to the extent, of such payments then due and owing thereunder, (ii) second, to any amounts then due and owing under the RUS Series A Note, and (iii) third, as a prepayment of principal on the RUS Series A Note. In the absence of a written directive from Borrower, no amounts paid to the Government shall be applied as a prepayment on the RUS Series B Note unless and until the obligations of Borrower under the RUS Series A Note have been satisfied in full.

(c) *Electronic Funds Transfer.* Except as otherwise prescribed by the RUS, the Borrower shall make all payments on the RUS Notes utilizing electronic funds transfer procedures as specified by the RUS.

Section 3.4. Prepayment

The Borrower may prepay the RUS Notes in whole or in part in the sole discretion of the Borrower without penalty or prepayment premium, provided, however, in no event shall such a voluntary prepayment of the RUS Series B Note be deemed an acceleration or cause an adjustment to the principal thereof.

ARTICLE IV.

AFFIRMATIVE COVENANTS

Section 4.1. Generally

Unless otherwise agreed to in writing by the RUS, while this Agreement is in effect, the Borrower shall duly observe each of the affirmative covenants contained in this Article IV.

Section 4.2. Performance under Loan Documents

The Borrower shall duly observe and perform all of its obligations under each of the Loan Documents.

Section 4.3. Annual Certification

Within ninety (90) days after the close of each fiscal year (or, if the Borrower has delivered written notice to the RUS prior to the expiration of such ninety (90) day period that the Borrower has determined in good faith that an additional thirty (30) days for such delivery is necessary or advisable, then within one hundred twenty (120) days after the close of the fiscal year with respect to which such notice has been delivered), the Borrower shall deliver to the RUS a written statement signed by its General Manager, stating that during such year the Borrower has fulfilled its obligations under the Loan Documents throughout such year in all material respects or, if there has been a material default in the fulfillment of such obligations, specifying each such default known to the General Manager and the nature and status thereof.

Section 4.4. Rates and Margins for Interest Ratios

(a) *Prospective Requirement.* The Borrower shall design and implement rates for utility service furnished by it to maintain, on an annual basis, the Margins for Interest Ratio specified in Section 13.14 of the Indenture.

(b) *Prospective Notice of Change in Rates.* The Borrower shall give the RUS sixty (60) days' written notice prior to the effective date of any proposed change in the Borrower's general rate structure.

(c) *Routine Reporting of Margins for Interest Ratio.* The Borrower shall report to the RUS, no later than 45 days after December 31 of each year, in such written format as the RUS may require, the Margins for Interest Ratio that was achieved during the preceding 12-month period ending on December 31 of such year.

(d) *Reporting Non-achievement of Retrospective Requirement.* If the Borrower fails to achieve the Margins for Interest Ratio specified in Section 13.14 of the Indenture for any fiscal year, it must promptly notify RUS in writing to that effect.

(e) *Corrective Plans.* Within thirty (30) days of (i) sending a notice to the RUS under paragraph (d) above that shows the Margins for Interest Ratio specified by Section 13.14 of the Indenture was not achieved for any fiscal year, or (ii) being notified by the RUS that the Margins for Interest Ratio specified by Section 13.14 of the Indenture was not achieved for any fiscal year, whichever is earlier, the Borrower in consultation with the RUS shall provide a written plan satisfactory to the RUS setting forth the actions that shall be taken to achieve the specified Margins for Interest Ratio on a timely basis.

(f) *Noncompliance.* Failure to design and implement rates pursuant to paragraph (a) of this section and failure to develop and implement the plan in accordance with the terms of paragraph (e) of this section shall constitute an Event of Default under this Agreement in the event that RUS so notifies the Borrower to that effect under Section 6.1(d) of this Agreement.

Section 4.5. Financial Books

The Borrower shall at all times keep, and safely preserve, proper books, records and accounts in which full and true entries shall be made of all of the dealings, business and affairs of the Borrower and its Subsidiaries, if any, in accordance with any applicable Accounting Requirements.

Section 4.6. Rights of Inspection

The Borrower shall afford the RUS, through its representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and the right to inspect the System, any other property encumbered by the Indenture, and any or all books, records, accounts, 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 any way pertaining to its property or business, including its Subsidiaries, if any, and to make copies or extracts therefrom.

Section 4.7. Real Property Acquisition

In acquiring real property, the Borrower shall comply in all material respects with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended by the Uniform Relocation Act Amendments of 1987, and 49 C.F.R. part 24, referenced by 7 C.F.R. part 21, to the extent applicable to such acquisition.

Section 4.8. Financial Reports

Within 120 days of the end of each fiscal year, the Borrower shall cause to be prepared and furnished to the RUS a full and complete annual report of its financial condition and of its operations in form and substance satisfactory to the RUS, audited and certified by an Independent certified public accountant satisfactory to the RUS and accompanied by a report of such audit in form and substance reasonably satisfactory to the RUS. The Borrower shall also furnish to the RUS from time to time such other reports concerning the financial condition or operations of the Borrower, including its Subsidiaries, as the RUS may request or RUS Regulations require.

Section 4.9. Miscellaneous Reports and Notices

The Borrower shall furnish to the RUS:

(a) *Notice of Default.* Promptly after becoming aware thereof, notice of: (i) the occurrence of any Event of Default under this Agreement or event which with the giving of notice or the passage of time, or both, would become an Event of Default; and (ii) the receipt of any notice given pursuant to the Indenture with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an "Event of Default" under the Indenture and (iii) the occurrence of any event under any agreement which with the giving of notice or the passage of time, or both, could become an "Event of Default" under such agreement and result in a Material Adverse Effect.

(b) *Notice of Non-Environmental Litigation.* Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency or instrumentality affecting the Borrower which, could reasonably be expected to have a Material Adverse Effect.

(c) *Notice of Environmental Litigation.* Without limiting the provisions of Section 4.9(b) above, promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or other communications alleging a condition that may require the Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations or such laws, or which claim personal injury or property damage to any person as a result of environmental factors or conditions for which the Borrower is not fully covered by insurance, or which could reasonably be expected to have a Material Adverse Effect.

(d) *Notice of Application for Competitive Transition Charges.* Promptly, but no later than 60 days prior to submission to any approval authority, including without limitation, any regulatory or legislative authority, written notice of an application for authority to collect Competitive Transition Charges. Without limiting the right of RUS to request other information, RUS has the right to request the Borrower to provide to RUS a written appraisal or other financial assessment of the Competitive Transition Charges.

(c) *Notice of Change of Place of Business.* Promptly in writing, notice of any change in location of its principal place of business or the office where its records concerning accounts and contract rights are kept.

(d) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could reasonably be expected to have a Material Adverse Effect.

(e) *Ratings.* Promptly after receipt thereof, copies of Credit Ratings and copies of any reports with respect to the Borrower or its Credit Rating issued by any Rating Agency.

(f) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter that has had or could reasonably be expected to have a Material Adverse Effect.

(g) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations, properties or business of the Borrower as the RUS may, from time to time, reasonably request.

Section 4.10. Variable Rate Indebtedness

In connection with the furnishing of its annual report to the RUS pursuant to Section 4.8, the Borrower shall report to the RUS, in such written format as may be acceptable to the RUS, the specific maturities of all of the Borrower's outstanding indebtedness and, the interest rates applicable thereto, including, without limitation, with respect to any indebtedness not bearing a fixed rate through the maturity of such indebtedness, the method and timing for adjustment and readjustment of the applicable interest rate.

Section 4.11. Compliance with Laws

The Borrower shall operate and maintain the System and its properties in compliance in all material respects with all applicable Laws.

Section 4.12. Separate Accounts

The Borrower shall execute and deliver, with a financial institution approved by the RUS, a lockbox agreement or agreements substantially in the form of Exhibit A attached hereto ("Lockbox Agreement") and shall at all times maintain such Lockbox Agreement in full force and effect. The Borrower shall not, without first complying with the requirements of

Section 8.1, amend, supplement or otherwise modify the Lockbox Agreement. In the event: (a) the Borrower no longer has two Investment Grade credit ratings from at least two Rating Agencies; (b) the Borrower's total current and accrued liabilities exceed the Borrower's total current and accrued assets; (c) the Administrator determines the System is incapable of providing reliable service to the members of the Borrower pursuant to the terms of the Wholesale Power Contracts; (d) the Administrator determines that as a consequence of any change in the condition, financial or otherwise, operations, properties or business of the Borrower, the Borrower will be unable to perform its material obligations under (i) this Agreement, (ii) the Wholesale Power Contracts, (iii) the RUS Notes, or (iv) the Indenture; or (e) there is an Event of Default under the Indenture, or any event that with the passage of time or giving of notice, or both, would constitute an Event of Default under the Indenture, the Borrower shall, if so directed in writing by the Administrator of the RUS, (a) deposit, pursuant to the Lockbox Agreement, all cash proceeds of the Trust Estate, including, without limitation, checks, money and the like (other than cash proceeds deposited or required to be deposited with the Trustee pursuant to the Indenture), which cash proceeds shall include, without limitation, all payments by members of the Borrower on account of the Wholesale Power Contracts, in separate deposit or other accounts, segregated from all other monies, revenues and investments of the Borrower, and (b) take all such other actions as the RUS shall request to continue perfection of the lien of the Indenture in such proceeds for the benefit of all Holders of the Outstanding Secured Obligations.

Section 4.13. Property Maintenance

The Borrower shall maintain and preserve its System in compliance in all material respects with the provisions of the Indenture, RUS Regulations, all applicable Laws, and Prudent Utility Practice.

Section 4.14. Load Forecast

The Borrower shall prepare and use load forecasts with respect to its electric loads and future energy and capacity requirements in conformance with RUS Regulations.

Section 4.15. Long Range Engineering Plans and Construction Work Plans

The Borrower shall develop, maintain and use up-to-date long-range engineering plans and construction work plans in conformance with RUS Regulations.

Section 4.16. Design Standards, Construction Standards and List of Materials

The Borrower shall use design standards, construction standards, and lists of acceptable materials in conformance with RUS Regulations.

Section 4.17. Plans and Specifications

The Borrower shall submit plans and specifications for construction to RUS for review and approval, in conformance with RUS Regulations, if the construction will be financed in whole or in part by a loan made or guaranteed by RUS.

Section 4.18. Standard Forms of Construction Contracts, and Engineering and Architectural Services Contracts

The Borrower shall use the standard forms of contracts promulgated by the RUS for construction, procurement, engineering services and architectural services, in conformance with RUS Regulations, if the construction, procurement, or services will be financed in whole or in part by a loan made or guaranteed by the RUS.

Section 4.19. Contract Bidding Requirements

The Borrower shall follow the RUS contract bidding procedures in conformance with RUS Regulations when contracting for construction or procurement, if the construction or procurement will be financed in whole or in part by a loan made or guaranteed by the RUS.

Section 4.20. Nondiscrimination

(a) *Equal Opportunity Provisions in Construction Contracts.* The Borrower shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from the RUS or borrowed on the credit of the United States pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such grant, contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Exhibit B attached hereto entitled Equal Opportunity Contract Provisions.

(b) *Equal Opportunity Contract Provisions Also Bind the Borrower.* The Borrower further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.

(c) *Sanctions and Penalties.* The Borrower agrees that it shall cooperate actively with the RUS and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it shall furnish the RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of the RUS's primary responsibility for securing compliance. The Borrower further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such

sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by the RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings the RUS may cancel, terminate or suspend in whole or in part this contract, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from the Borrower, or may refer the case to the Department of Justice for appropriate legal proceedings.

Section 4.21. “Buy American” Requirements

The Borrower shall use or cause to be used in connection with the expenditures of funds if such funds were obtained in whole or in part by a loan being made or guaranteed by the RUS only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or any eligible country substantially all from articles, materials, and supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent the RUS shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an “eligible country” is any country that has with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that country, as determined by the United States Trade Representative.

Section 4.22. Depreciation Plan

The Borrower shall adopt as its depreciation rates only those that have been previously approved for the Borrower by RUS (through RUS Regulation or by specific approval by RUS). The Borrower shall not file with or submit for approval of any regulatory bodies depreciation rates which are inconsistent with those approved for the Borrower by RUS.

Section 4.23. Maintenance of Credit Ratings

(a) *Maintenance of Credit Ratings.* As long as there remains any RUS Note, the Borrower shall (i) maintain a Credit Rating from at least two Rating Agencies and (ii) continuously subscribe with a Rating Agency for the services described in Exhibit C attached hereto.

(b) *Reporting Non-achievement of Investment Grade Credit Rating.* If the Borrower fails to maintain two Credit Ratings of Investment Grade, it must notify RUS in writing to that effect within five (5) days after becoming aware of such failure.

(c) *Corrective Plans.* Within thirty (30) days of the date on which the Borrower fails to maintain two Credit Ratings of Investment Grade, the Borrower in consultation with the RUS

shall provide a written plan satisfactory to the RUS setting forth the actions that shall be taken that are reasonably expected to achieve two Credit Ratings of Investment Grade.

(d) *Noncompliance.* Failure to implement a corrective plan developed in accordance with paragraph (c) of this section shall constitute an Event of Default under this Agreement.

ARTICLE V.

NEGATIVE COVENANTS

Section 5.1. General

Unless otherwise agreed to in writing by the RUS, while this Agreement is in effect, the Borrower shall duly observe each of the negative covenants set forth in this Article V.

Section 5.2. Acquisition of Capital Assets

The Borrower shall not, without first complying with the requirements of Section 8.1, extend or add to its System by purchasing, constructing, leasing or otherwise acquiring Capital Assets, including Capital Assets that constitute utility or non-utility plant, with funds from sources other than loans made or guaranteed by RUS in the case of:

(a) Generating facilities if the total expenditures for the facilities to be built, procured, or leased, including any future facilities included in the planned project, will exceed the lesser of \$10 million or thirty percent (30%) of the Borrower's Equity; or

(b) Existing electric facilities or systems in service whose purchase price, or capitalized value in the case of a lease, exceeds ten percent (10%) of the Borrower's Net Utility Plant;

(c) Any new project to serve an end user whose annual kWh purchases or maximum annual kW demand is projected to exceed 25 percent of the Borrower's total kWh sales or maximum kW demand in the year immediately preceding the start of construction of facilities; provided, however, this Section 5.2(c) shall not preclude the Borrower from purchasing constructing, leasing or otherwise acquiring Capital Assets without complying with the requirements of Section 8.1 for a project intended to facilitate the providing of service to an end user in accordance with the provisions of a Smelter Contract, provided, further, however that the Borrower may not purchase, construct, lease or otherwise acquire Capital Assets pursuant to the preceding provision without first complying with the requirements of Section 8.1, if the estimated costs of any such project are estimated to exceed \$10,000,000.

Section 5.3. Disposition or Releases of Capital Assets

The Borrower shall not, without first complying with the requirements of Section 8.1, voluntarily or involuntarily sell, convey, transfer, lease, as lessor, or otherwise dispose of any portion of its business or Capital Assets, or request the release of or release any Capital Assets from the lien of the Indenture or enter into contracts therefor in any calendar year except in compliance with all applicable RUS Regulations, including without limitation, RUS Bulletin 1717M-2, and any successor regulation. For purposes of measuring the Borrower's compliance with the preceding sentence of this Section 5.3, Section 4(a)(1)(a) of RUS Bulletin 1717M-2 shall be deemed to be modified to read as follows: "The Borrower is not in default." Notwithstanding the foregoing, the use by Borrower of the proceeds of any such sale, conveyance, transfer, lease or other disposition shall be in compliance with the Indenture.

Section 5.4. Limitations on Mergers and Sale, Lease or Transfer of Capital Assets

The Borrower shall not consolidate or merge with, or sell all or substantially all of its business or assets, except to the extent it is expressly permitted under the Indenture.

Section 5.5. Limitations on Employment and Retention of General Manager

At any time an Event of Default, or an event which with the passage of time or the giving of notice, or both, would become an Event of Default, occurs and is continuing, the Borrower shall not, without the prior written approval of the RUS, enter into an employment relationship with any person to serve as General Manager of the System. If an Event of Default, or an event which with the passage of time or the giving of notice, or both, would become an Event of Default, occurs and is continuing and the RUS requests the Borrower to terminate the employment of its General Manager, the Borrower shall do so within thirty (30) days after the date of such request. All contracts in respect of the employment of the General Manager or for the operation of the Utility System or the Electric System, hereafter entered into shall contain provisions to permit compliance with this Section 5.5.

Section 5.6. Limitations on Certain Types of Contracts

(a) *Approval of Certain Contracts.* The Borrower shall not, without first complying with the requirements of Section 8.1, enter into any of the following:

- (i) Any contract for the management and operation of all or a material portion of its System;
- (ii) Any contract for the purchase, exchange or sale of electric power or energy that has a term exceeding two (2) years;

(iii) Any contract for the purchase or sale of interconnection, interchange wheeling, transmission, pooling, ancillary services pooling or similar power supply arrangements that has a term exceeding two (2) years;

(iv) Any contract for construction or procurement or for architectural and engineering services in connection with the Borrower's System if the project is financed or will be financed, in whole or in part, by a loan made or guaranteed by the RUS;

(v) Any amendment or modification to any of the Wholesale Power Contracts, including the Schedules thereto, including the Wholesale Power Contracts listed in the attached Exhibit D, except that the Borrower may amend or modify provisions specifying delivery points.

(b) *Terminations.* The Borrower shall not, without first complying with the requirements of Section 8.1, exercise any option to terminate any contract, including, without limitation, any Wholesale Power Contract, if such contract, based upon its nature, remaining term (not taking into account any option of the Borrower to terminate) and size, would be required to be approved by the RUS pursuant to paragraph (a) of this Section 5.6 if the Borrower were to have entered into such contract on the proposed termination date. The Borrower further agrees at the written direction of the RUS to exercise any option to terminate a contract if the exercise by the Borrower of that option would require compliance with the requirements of Section 8.1 pursuant to the immediately preceding sentence unless the exercise of such termination right could reasonably be expected to have a Material Adverse Effect.

(c) *Determination of Term.* For purposes of this Section 5.6, the term of any contract shall be determined in accordance with this Section 5.6(c). The term of any contract shall be the period during which performance (other than payment) is to occur and not the period commencing when such contract is executed. The term of any contract shall be based upon the period prior to the first date upon which the Borrower could, at its option, terminate the contract (taking into account any notice period required for termination).

(d) *Amendments; Extensions.* Any amendment or modification to an existing contract (including an extension thereof) shall be governed by this Section 5.6 only to the extent such specific amendment or modification (and not the contract as a whole), judged as if it were a separate contract, would be required to be approved by the RUS pursuant to paragraph (a) of this Section 5.6.

Section 5.7. Limitations on Loans, Investments and Other Obligations

The Borrower shall not, without first complying with the requirements of Section 8.1, make any loan or advance to, or make any Investment in, or purchase or make any commitment to purchase any stock, bonds, notes or other securities of, or guaranty, assume or otherwise become obligated or liable with respect to the obligations of, any other person, firm or corporation, except as permitted by the Act and RUS Regulations. In computing any permissible level of Investments in any person, firm or corporation in accordance with this Section 5.7 and

the RUS Regulations, the Borrower's existing capital contribution to Big Rivers Leasing shall not be included as contributing to the level of aggregate permissible Investments.

Section 5.8. Rate Changes

The Borrower shall not, without first complying with the requirements of Section 8.1, increase or reduce its rates.

Section 5.9. Indenture Restrictions

Notwithstanding the provisions of the Indenture, the Borrower shall not, without first complying with the requirements of Section 8.1:

(a) consolidate or merge with any other corporation or convey or transfer the Trust Estate under the Indenture substantially as an entirety, or otherwise reorganize its corporate structure to transfer functions or any substantial part of the Trust Estate to any other Person;

(b) elect pursuant to Section 1.1D of the Indenture to apply Accounting Requirements in effect as of the date of execution and delivery of the Indenture;

(c) include as Property Additions, under any provision of the Indenture, any property that would not qualify as Property Additions but for paragraph C of the definition of Property Additions, or sell, lease or sublease any portion of the Trust Estate pursuant to paragraph H of Section 6.1 of the Indenture;

(d) submit an Available Margins Certificate under Article V of the Indenture for the purpose of issuing Additional Obligations unless such Certificate is accompanied by an Independent Accountant's Certificate stating in substance that nothing came to the attention of such Accountant in connection with its unaudited review of the applicable period that would lead such Accountant to believe that there was any incorrect or inaccurate statement in such Certificate;

(e) enter into a Supplemental Indenture pursuant to Section 13.1H of the Indenture;

(f) enter into a Supplemental Indenture pursuant to Section 13.1B or 13.1C of the Indenture if (i) the Holders of the Obligations issued under such Supplemental Indenture are granted greater security rights in and to the Trust Estate than those security rights enjoyed by the Government in its capacity as a Holder of Obligations under the Indenture, provided, however, that neither (I) the existence of Credit Enhancement nor (II) the creation and maintenance of debt service or similar funds for the payment of the principal and interest on Obligations issued under such Supplemental Indenture (to the extent such debt service or other similar funds are funded from the proceeds of the issuance of such Obligations or funded in connection with the refinancing of other debt by such Obligations), shall constitute greater security rights in and to the Trust Estate requiring the Borrower to comply with the requirements of Section 8.1; (ii) the

Supplemental Indenture provides for covenants, restrictions, limitations, conditions, events of defaults or remedies not applicable to all Obligations then Outstanding or not equally available to all Holders of Obligations then Outstanding, provided, however, that provisions for covenants and events of default that relate solely to assuring that the interest on such Obligations (or other indebtedness secured by such Obligations) is excludable from the gross income of the holder thereof pursuant to the Internal Revenue Code, as amended, shall not constitute the providing of covenants or events of default requiring the Borrower to comply with the requirements of Section 8.1; or (iii) the Obligations issued under such Supplemental Indenture, or the indebtedness secured by such Obligations, can be (a) accelerated or (b) effectively accelerated through a mandatory purchase or similar mechanism, in either case, as a consequence of a breach or default by the Borrower under the related loan agreement or similar agreement entered into in connection with such Obligation or indebtedness, provided, however, that acceleration and similar rights may be granted to development authorities and trustees without first complying with the requirements of Section 8.1 in connection with the issuance of Obligations (or other indebtedness secured by such Obligations) the interest on which is excludable from the gross income of the holder thereof pursuant to the Internal Revenue Code, as amended, if such acceleration and similar rights are substantially similar to those currently granted to development authorities and trustees in connection with the Existing Obligations;

(g) create or incur or suffer or permit to be created or incurred or to exist any pledge of current assets secured under the Indenture to secure current liabilities;

(h) take any of the following actions:

(i) provide under the Indenture a Certificate of an Appraiser who is not Independent if the value of the property or securities to which such certificate applies is greater than \$500,000;

(ii) provide under the Indenture a Certificate of an Engineer who is not a licensed professional with respect to any project if the cost of such project is greater than \$50,000; or

(iii) provide under the Indenture a Certificate of an Engineer who is not Independent and a licensed professional with respect to the fair value or repair cost of any project if either (A) the fair value or repair cost of such project is greater than \$5,000,000 or (B) RUS has requested in writing such certificate to be provided by an Engineer who is Independent and a licensed professional;

(i) modify or alter Section 9.7 of the Indenture or the obligation of the Trustee under the Indenture to hold the Trust Estate for the equal and proportionate benefit and security of the Holders, without any priority of any Obligation over any other Obligation;

(j) certify pursuant to Section 5.3D(1) or 5.3D(2) of the Indenture any retired Obligation or any principal payment on an Obligation as the basis for taking any action under the Indenture, if such retirement or payment is pursuant to a regularly scheduled sinking fund or

principal installment or made at the Stated Maturity of such Obligation; provided, however, that the Borrower shall not have to comply with the requirements of Section 8.1 before certifying pursuant to Section 5.3D(1) or 5.3D(2) of the Indenture in connection with the issuance of Additional Obligations under the Indenture if such Additional Obligations are:

(1) issued to refund Obligations the interest on which is exempt from taxation under Section 103 of the Internal Revenue Code, or obligations which were issued to refund such tax-exempt Obligations;

(2) issued to refund Obligations owed to, or guaranteed by, the United States of America acting through the RUS, or obligations which were issued to refund such Obligations owed to, or guaranteed by, the United States of America acting through the RUS; or

(3) Obligations issued to refund Obligations, if the combined term of the refunded Obligations and the refunding Additional Obligations does not exceed the term for which the refunded Obligations could have been originally issued under the provisions of this paragraph (j) or paragraph (k) of this Section 5.9.

(k) issue any Additional Obligations under the Indenture to finance Property Additions unless the following additional requirements are satisfied in addition to the requirements set forth in the Indenture for issuing such Additional Obligations:

(1) If the proceeds of such Additional Obligations are being used to finance the initial cost of the construction or acquisition of identified tangible assets, the weighted average life of the loan evidenced by such Additional Obligations does not exceed the weighted average of the expected remaining useful lives of the assets being financed;

(2) The principal of the loan evidenced by such Additional Obligations is amortized at a rate that shall yield a weighted average life that is not greater than the weighted average life that would result from level payments of principal and interest; and

(3) The principal of the loan being evidenced by such Additional Obligations has a maturity of not less than five years.

In determining its compliance with the requirements of clause (2) of this paragraph (k), the Borrower shall be permitted to make reasonable assumptions as to the interest rate which such Additional Obligations will bear as the Borrower deems appropriate in light of the prevailing interest rate environment in which such Additional Obligations are to be issued; or

(l) permit any liens in respect of judgments or awards which would be Permitted Exceptions pursuant to Paragraph F of the definition of "Permitted Exceptions" in the Indenture, by virtue of the fact that such liens are fully covered by insurance; or

(m) enter into any leases to and permits for occupancy, which materially impair the Company's use of the property in the conduct of its business, by, other Persons which would be Permitted Exceptions pursuant to Paragraph K of the definition of "Permitted Exceptions" by virtue of the fact that any such leases and/or permits are for a period of less than ten (10) years.

Section 5.10. Negative Pledge

The Borrower shall not, without first complying with the requirements of Section 8.1, directly or indirectly create, incur, assume or permit to exist any lien, mortgage, pledge, security interest, charge or encumbrance of any kind, whether voluntary or involuntary (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any other agreement to give any security interest) on or with respect to any of the Excepted Property except for:

(a) Permitted Exceptions (other than the Permitted Exception described in paragraph Y of the definition of Permitted Exceptions);

(b) as to the Excepted Property described in paragraphs B through E of the Indenture, inclusive, and paragraph K of the definition of Excepted Property, liens, mortgages, pledges, security interests, charges and encumbrances in connection with purchase money, construction or acquisition indebtedness (or renewals or extensions thereof) that encumber only the asset or assets so purchased, constructed or acquired or property improved through such purchase, construction or acquisition, and the proceeds upon a sale, transfer or exchange thereof;

(c) liens, mortgages, pledges, security interests, charges and encumbrances (i) for the benefit of all Holders of the Obligations issued under the Indenture, (ii) in connection with any bond service or similar fund established by the Borrower with respect to any debt securities, the interest on which is excludable from gross income of the holder thereof pursuant to the Internal Revenue Code, as amended, to the extent of amounts deposited in such funds in the ordinary course to make regularly scheduled payments on such debt securities, or (iii) in connection with any debt service or similar fund established by the Borrower for the payment of principal or interest on debt securities, the interest on which is excludable from gross income of the holder thereof pursuant to the Internal Revenue Code, as amended, if such fund is funded solely from the proceeds of the issuance of such debt securities (or funded in connection with the refinancing of other debt by such debt securities);

(d) liens, pledges, security interests, charges and encumbrances with respect to deposit, brokerage, commodity and other similar accounts to the extent such liens, pledges, security interests, charges and encumbrances do not secure indebtedness for borrowed money other than indebtedness incurred in connection with acquiring securities or other investments deposited in any such account; or

(e) liens, pledges, security interests, charges and encumbrances with respect to any interest, debt or equity, of the Borrower in National Rural Utilities Cooperative Finance

Corporation or CoBank, ACB, purchased or otherwise acquired by the Borrower in connection with membership in such entity or any borrowing from such an entity.

Section 5.11. Emissions Allowances

Except for sales initiated by the Government without the prior consent and knowledge of the Borrower, the Borrower shall not, without first complying with the requirements of Section 8.1, sell, assign or otherwise dispose of (or enter into any agreement therefor) any allowances for emissions or similar rights granted by any governmental authority except in compliance with all applicable RUS Regulations, including without limitation, RUS Bulletin 1717M-2, and any successor regulation. For purposes of measuring the Borrower's compliance with the preceding sentence of this Section 5.11, Section 4(a)(1)(a) of RUS Bulletin 1717M-2 shall be deemed to be modified to read as follows: "The Borrower is not in default." The proceeds of any such sale, assignment or other disposition, shall be deposited in the Construction Fund Trustee Account. For such sales initiated by the Government without the prior consent and knowledge of the Borrower, the Borrower shall give RUS, promptly upon receipt thereof, written notice of such sales.

Section 5.12. Renewable Energy Credits

The Borrower shall not, without first complying with the requirements of Section 8.1, sell, assign or otherwise dispose of (or enter into any agreement therefor) (a) any credits received from allowances for emissions or (b) similar rights granted by any governmental authority, in either case which relate to renewable energy, except in compliance with all applicable RUS Regulations, including without limitation, RUS Bulletin 1717M-2, and any applicable RUS Regulations, including without limitation, RUS Bulletin 1717M-2, and any successor regulation. For purposes of measuring the Borrower's compliance with the preceding sentence of this Section 5.12, Section 4(a)(1)(a) of RUS Bulletin 1717M-2 shall be deemed to be modified to read as follows: "The Borrower is not in default." The proceeds of any such sale, assignment or other disposition, shall be deposited in the Construction Fund Trustee Account.

Section 5.13. Fiscal Year

The Borrower shall not, without first complying with the requirements of Section 8.1, change its fiscal year.

Section 5.14. Limits on Variable Rate Indebtedness

During any period in which (a) an Event of Default has occurred and is continuing or (b) the Borrower has not maintained a Credit Rating of Investment Grade, the Borrower shall not, without first complying with the requirements of Section 8.1, increase the outstanding principal amount of indebtedness of the Borrower, the interest rate with respect to which is adjusted or readjusted at intervals of less than two (2) years, to an amount exceeding the amount thereof outstanding on the date of such notice from the RUS.

Section 5.15. Limits on Short-Term Indebtedness

The Borrower shall not, without first complying with the requirements of Section 8.1, on any date permit Short-Term Indebtedness to exceed fifteen percent (15%) of the Borrower's long-term debt and equities (determined in accordance with Accounting Requirements, except that such determination and calculations shall not be made on a consolidated basis and shall not, therefore, take into account the Short-Term Indebtedness, long-term debt and equities of the Borrower's Affiliates and Subsidiaries) as of the end of the fiscal quarter immediately preceding such date. As used in this Section 5.15, "Short-Term Indebtedness" means all indebtedness of, or guaranteed or in effect guaranteed (whether directly or indirectly, contingent or otherwise) against loss in respect thereof to the holder thereof by, the Borrower (other than trade payables) which on the date of original issuance thereof is classified as short-term debt under Accounting Requirements; provided, however, that any indebtedness issued in accordance with a credit agreement or other arrangement with a maturity or expiration date of greater than one year from the date of effectiveness of such credit agreement or arrangement shall not be considered Short-Term Indebtedness at such time as the maturity or expiration of such credit agreements or arrangements is less than one year.

Section 5.16. Limitations on Changing Principal Place of Business

Without prior written notification to the RUS, the Borrower shall not change its principal place of business.

Section 5.17. Limitations on RUS Financed Extensions and Additions

The Borrower shall not extend or add to its System either by construction or acquisition without the prior written approval of RUS if the construction or acquisition is financed or will be financed, in whole or in part, by a RUS loan or loan guarantee.

Section 5.18. Historic Preservation

Notwithstanding the provisions of Section 3.2, the Borrower shall not, without approval in writing by the RUS, use any advance to construct any facility which shall involve any district, site, building, structure or object which is included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

Section 5.19. Change of Ratings Agency

At any time that only one Rating Agency has assigned a Credit Rating, the Borrower shall not, without first complying with the requirements of Section 8.1, change the Rating Agency then providing the Credit Rating.

Section 5.20. Competitive Transition Charges

The Borrower shall not, without first complying with the requirements of Section 8.1, (i) sell, exchange or otherwise dispose of Competitive Transition Charges, (ii) request the release of Competitive Transition Charges from the lien of the Indenture, or (iii) utilize Competitive Transition Charges as a basis for issuing Obligations under the Indenture, or as basis for a securitized financing outside the Indenture, or withdraw Trust Moneys related to Competitive Transition Charges.

Section 5.21. Limitation on Release of Agreements

The Borrower shall not, without first complying with the requirements of Section 8.1, sell, assign or otherwise dispose of, request the release of or release any contract described in Section 5.6 or any Wholesale Power Contract from the lien of the Indenture.

Section 5.22. Construction Fund Trustee Account

The Borrower shall deposit the proceeds of loans made or guaranteed by RUS promptly after the receipt thereof in a bank or banks that are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS. Any account (hereinafter called "Construction Fund Trustee Account") in which any such moneys shall be deposited shall be insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be designated by the corporate name of the Borrower followed by the words "Construction Fund Trustee Account." Moneys in any Construction Fund Trustee Account shall be used solely for the construction and operation of the System and may be withdrawn only upon checks, drafts, or orders signed on behalf of the Borrower and countersigned by an executive officer thereof.

Section 5.23. Impairment of Contracts

The Borrower shall not (a) materially breach any obligation to be paid or performed by the Borrower under, or (b) take any action which is likely to materially impair the value of, any contract which is subject to the security interest created by the Indenture.

Section 5.24. Limitations on Distributions

Without the prior written approval of RUS, the Borrower shall not in any calendar year make any Distributions to its members or stockholders except as follows:

(a) *Equity above 30%*. If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than or equal to 30% of its Total Assets; or

(b) *Equity above 25%*. If, after giving effect to any such Distribution, the aggregate of all Distributions made during the calendar year when added to such Distribution shall be less than or equal to 25% of the margins for the year to which the Distribution relates.

Provided however, that in no event shall the Borrower make any Distributions if there is unpaid when due any installment of principal of (premium, if any) or interest on its Notes, if an Event of Default has otherwise occurred and is continuing, or, if, after giving effect to any such Distribution, the Borrower's current and accrued assets would be less than its current and accrued liabilities and provided, further, that the limitation on Distributions created by this Section 5.24 shall not apply to any payments, rebates, refunds or abatement of power costs made in accordance with a Smelter Contract or made in accordance with any tariff on file with the Kentucky Public Service Commission.

Section 5.25. Limitations on Additional Indebtedness

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

- (a) Additional Obligations issued in compliance with Article V of the Indenture;
- (b) Purchase money indebtedness in non-System property, in an amount not exceeding 10% of Net Utility Plant;
- (c) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (d) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;
- (e) Unsecured indebtedness for borrowed money, up to an aggregate amount of 15% of Net Utility Plant, so long as after giving effect to such unsecured indebtedness, the Borrower's Equity is more than 20% of its Total Assets;
- (f) Debt represented by dividends declared but not paid; and
- (g) Subordinated Indebtedness approved by RUS.

The Borrower may incur Permitted Debt without the consent of RUS only so long as there exists no Event of Default hereunder and there has been no continuing occurrence which with the passage of time and giving of notice could become an Event of Default hereunder. By executing this Agreement any consent of RUS that the Borrower would otherwise be required to obtain under this Section is hereby deemed to be given or waived by RUS by operation of law to the extent, but only to the extent, that to impose such a requirement of RUS consent would clearly violate federal laws or RUS Regulations.

ARTICLE VI.

EVENTS OF DEFAULT

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

(a) *Representations and Warranties.* Any representation or warranty made by the Borrower in Article II hereof or, in any certificate furnished to the RUS hereunder or in the Loan Documents or in any filing pursuant to RUS Regulations shall be incorrect in any material respect at the time made and shall at the time in question be untrue or incorrect in any material respect and remain uncured;

(b) *Payment.* Default shall be made in the payment of or on account of interest on or principal of any RUS Note when and as the same shall be due and payable, whether by acceleration or otherwise, which shall remain unsatisfied for five (5) Business Days;

(c) *Other Covenants.* Default by the Borrower in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by the RUS;

(d) *Corporate Existence.* The Borrower shall forfeit or otherwise be deprived of its corporate charter or any franchise, permit, easement, consent or license required to carry on any material portion of its business;

(e) *Other Obligations.* Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money in excess of \$1 million or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;

(f) *Bankruptcy.* A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of ninety (90) consecutive days or the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors; and

(g) *Dissolution or Liquidation.* Other than as provided in the immediately preceding subsection, 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 shall

impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days. The term "dissolution or liquidation of the Borrower," as used in this paragraph (g), 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 permitting such actions.

(h) *Indenture.* Any Event of Default as set forth in Section 9.1 of the Indenture and any event (as set forth in such Section 9.1) that with the giving of notice or the passage of time, or both, could become an Event of Default.

ARTICLE VII.

REMEDIES

Upon the occurrence of an Event of Default, then RUS may pursue all rights and remedies available to RUS that are contemplated by this Agreement in the manner, upon the conditions, and with the effect provided in this Agreement, including, but not limited to, a suit for specific performance, injunctive relief or compensatory damages. The RUS is hereby authorized, to the maximum extent permitted by applicable law, to demand specific performance of this Agreement at any time when the Borrower shall have failed to comply with any provision of this Agreement applicable to it. The Borrower hereby irrevocably waives, to the maximum extent permitted by applicable law, any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance. Nothing herein shall limit the right of the RUS to pursue all rights and remedies available to a creditor at law or in equity following the occurrence of an Event of Default listed in Article VI hereof, or any right or remedy available to the RUS as a Holder of an Obligation under the Indenture. Each right, power and remedy of the RUS shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

ARTICLE VIII.

MISCELLANEOUS

Section 8.1. Notice to RUS; Objection of RUS

Before undertaking any transaction described in Article V or the schedules attached hereto that requires compliance with the requirements of Section 8.1, the Borrower shall give to the RUS (i) notice in writing describing in reasonable detail the proposed transaction and clearly stating that the transaction is covered by this Section 8.1 and (ii) drafts of any documents to effect such transaction. If the RUS delivers to the Borrower written notice that it objects to the

proposed transaction within sixty (60) days (or such shorter period as the parties shall agree to in writing), the Borrower shall not complete the transaction without RUS approval.

Section 8.2. 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. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Address for Notices of the respective parties are as follows:

The Government:

Rural Utilities Service
United States Department of Agriculture
Room No. 5135-S
1400 Independence Avenue, S.W.
Stop 1510
Washington, DC 20250
Fax: (202) 720-9542
Attention: RUS Administrator

With a copy to:

Rural Utilities Service
United States Department of Agriculture
Room No. 0270-S
1400 Independence Avenue, S.W.
Stop: 1568
Washington, DC 20250
Fax: (202) 720-1401
Attention: Power Supply Division

The Borrower:

Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420
Fax: (270) 827-2558
Attention: President and Chief Executive Officer

With a copy to:

Sullivan, Mountjoy, Stainback & Miller
100 St. Ann's Building
PO Box 727
Owensboro KY 42302-0727

Fax: (270) 683-6694
Attention: James Miller

Section 8.3. Expenses

To the extent permitted by Law, the Borrower shall pay all costs and expenses of RUS, including reasonable fees of counsel, incurred in connection with the enforcement of the Loan Documents or with the preparation for such enforcement if the RUS has reasonable grounds to believe that such enforcement may be necessary.

Section 8.4. Late Payments

If payment of any amount due hereunder is not received at the United States Treasury in Washington, D.C., or such other location as RUS may designate to the Borrower, within five (5) Business Days after the due date thereof or such other time period as RUS may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount," and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period), the Borrower shall pay to RUS, in addition to all other amounts due under the terms of the RUS Notes and this Agreement, any late-payment charge as may be fixed by RUS Regulations from time to time on the delinquent amount for the late-payment period.

Section 8.5. Filing Fees

To the extent permitted by Law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify the RUS from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by the RUS in connection with this Agreement. The provisions of this Section 8.5 shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the RUS Notes.

Section 8.6. No Waiver

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

Section 8.7. Governing Law

EXCEPT TO THE EXTENT GOVERNED BY APPLICABLE FEDERAL LAW, THE LOAN DOCUMENTS SHALL BE DEEMED TO BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF KENTUCKY.

Section 8.8. Holiday Payments

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

Section 8.9. Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the Borrower and the RUS and their respective successors and assigns, provided, however, that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of the RUS.

Section 8.10. Complete Agreement; Amendments

This Agreement and the other Loan Documents are intended by the parties to be a complete and final expression of their agreement. However, RUS reserves the right to waive its rights to compliance with any provision of this Agreement and the other Loan Documents. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure of the Borrower herefrom or therefrom, shall be effective unless approved in writing by RUS in the form of either a RUS Regulation or other writing signed by or on behalf of RUS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.11. Headings

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

Section 8.12. Severability

If any term, provision or condition, or any part thereof, of this Agreement 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 and the RUS Notes shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained herein.

Section 8.13. Right of Set off

Upon the occurrence and during the continuance of any Event of Default, the RUS is hereby authorized at any time and from time to time, without prior notice to the Borrower, to exercise rights of set off or recoupment and apply any and all amounts held or hereafter held, by the RUS 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 RUS Notes. The RUS agrees to notify the Borrower promptly after any such set off or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such set off, recoupment or application. The rights of the RUS under this Section 8.13 are in addition to any other rights and remedies (including other rights of set off or recoupment) which the RUS may have. The Borrower waives all rights of set off, deduction, recoupment or counterclaim.

Section 8.14. Schedules and Exhibits

Each Schedule and Exhibit attached hereto and referred to herein is each an integral part of this Agreement.

Section 8.15. Sole Benefit

The rights and benefits set forth in this Agreement are for the sole benefit of the parties thereto and may be relied upon only by them.

Section 8.16. Prior Loan Contracts

It is understood and agreed that with respect to all loan agreements previously entered into by and between RUS and the Borrower, including, without limitation, the Existing Loan Contract, (hereinafter being referred to as "Prior Loan Contracts") the Borrower shall be required, as of the date hereof, to meet affirmative and negative covenants as set forth in this Agreement rather than those set forth in any Prior Loan Contract. As of the date hereof, this Agreement replaces and supersedes any Prior Loan Contract. In the event of any conflict between any provision set forth in the Prior Loan Contract and any provision in this Agreement, the requirements as set forth in this Agreement shall apply.

Section 8.17. Authority of RUS Representatives

In the case of any consent, approval or waiver from the RUS that is required under this Agreement or any other Loan Document, such consent, approval or waiver must be in writing and signed by an authorized RUS representative to be effective. As used in this Section 8.17, "authorized RUS representative" means the Administrator of RUS, and also means a person to

whom the Administrator has officially delegated specific or general authority to take the action in question.

Section 8.18. Relation to RUS Regulations

(a) In case of any conflict between the terms of this Agreement and the provisions of the RUS Regulations, the terms of this Agreement shall control.

(b) The RUS Regulations shall apply to the Borrower to the extent and under the conditions expressly set forth in this Agreement (other than in Section 4.11). To the extent this the terms of this Agreement, the Indenture, and the RUS Regulations are silent on an issue relating to System operation, control, maintenance, and accounting, the Borrower will comply with Prudent Utility Practice.

(c) The Borrower recognizes that some RUS Regulations implement Federal statutes or regulatory policies that are not limited to rural electrification but apply to many types of Federal assistance. Nothing herein is intended to, or shall be deemed to, waive the requirements of any Federal statute or regulation that is applicable to the Borrower independently of any requirement made applicable solely by the RUS Regulations.

(d) Subject to paragraphs (b) and (c) above, if on the date of this Agreement, any RUS Regulation conflicts with the terms of this Agreement or the Indenture pursuant to 7 C.F.R. 1710.113(c)(2) (62 F.R. 7721 & 18037 (1997)), the RUS hereby waives compliance by the Borrower with such RUS Regulations.

Section 8.19. Term

This Agreement shall remain in effect until one of the following two events has occurred:

(a) The Borrower and the RUS replace this Agreement with another written agreement; or

(b) All of the Borrower's obligations under this Agreement and the RUS Notes have been discharged and paid.

Section 8.20. Relation to Indenture

The RUS is a party to this Agreement and a Holder of Outstanding Secured Obligations under the Indenture. Both this Agreement and the Indenture govern the relationship between the Borrower and the RUS, and the parties intend that the Indenture and this Agreement independently govern such relationship. Each provision of this Agreement is intended to and shall be fully operative and enforceable as written whether or not the subject matter of any such provision is or is not addressed by the Indenture, or, if so addressed, is addressed in a different way from that set forth in this Agreement.

(Signatures begin on next page.)

BIG RIVERS ELECTRIC CORPORATION

By: Mark A. Bailey
Name: Mark A. Bailey
Title: President and CEO

THE UNITED STATES OF AMERICA

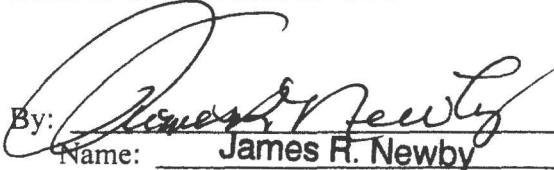
By: 
Name: James R. Newby
Title: Acting Administrator

EXHIBIT A

**To the Amended and Consolidated Loan Contract, dated as of July 1, 2009
between Big Rivers Electric Corporation, Old National Bank,
U.S. Bank National Association, and the United States of America**

LOCKBOX AGREEMENT

This **LOCKBOX AGREEMENT** (this "Agreement") is entered into as of [], 2009, by and among Big Rivers Electric Corporation, Old National Bank, as Lockbox Bank (the "Bank"), U.S. Bank National Association, not individually or personally but solely in its capacity as trustee (the "Trustee") under the Indenture (defined below) and the United States of America, acting by and through the Administrator of the Rural Utilities Service (together with any agency succeeding to the powers and rights of the Rural Utilities Service, the "RUS").

WHEREAS, the Company, as grantor, and the Trustee have entered into an Indenture, dated as of July 1, 2009 (such indenture, as from time to time amended, supplemented or restated, the "Indenture"), whereby, among other things, the Company has granted a security interest in certain contracts of the Company for the purchase or sale of, and transmission of, electric power and energy by or on behalf of the Company;

WHEREAS, the Company has entered into wholesale power contracts (the "Wholesale Power Contracts") as listed on Exhibit D to the Loan Contract (as hereinafter defined);

WHEREAS, under the Indenture, the Company has also granted a security interest in the proceeds of the "Trust Estate" (as defined in the Indenture), including all proceeds of the Wholesale Power Contract;

WHEREAS, the Company and the RUS, have entered into an Amended and Consolidated Loan Contract, dated as of July 1, 2009 (such loan contract, as from time to time amended, supplemented or restated, the "Loan Contract") in which the Company has agreed, upon the occurrence of certain conditions and at the request of the RUS, to deposit cash proceeds of the Trust Estate as provided in the Indenture, the Loan Contract and this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Definitions. Terms used in this Agreement with initial letters capitalized that are defined in the Indenture and are not otherwise defined herein have the meanings assigned to them in the Indenture. In addition, the following terms have the meanings assigned to them below:

(a) "Applicable Period" shall mean any period commencing on the date the Company receives notice from the RUS in writing pursuant to Section 4.12 of the Loan Contract, and ending on the date the Company receives notice from the RUS in writing that such period no longer exists; and

(b) “Pledged Revenues” shall mean all cash proceeds (as defined in the Uniform Commercial Code) of the Trust Estate received or receivable by the Company in which the Indenture creates a security interest pursuant to the Uniform Commercial Code that are not deposited or required to be deposited with the Trustee pursuant to the Indenture; provided, however, to ease administrative burdens of the Company, Pledged Revenues shall not include cash proceeds (other than cash proceeds from the Wholesale Power Contracts) in an amount equal to or less than \$10,000 from any Person during any one month period.

Section 2. Lockbox Account. There is hereby created and established with the Bank a special account to be titled the “Big Rivers Electric Corporation Special Cash Account” (the “Lockbox Account”), account number []. The money deposited into the Lockbox Account, together with all investments thereof and investment income therefrom, shall be applied solely as provided in this Agreement.

Section 3. Account Subject to Pledge of the Indenture. Amounts deposited into the Lockbox Account shall constitute a portion of the Trust Estate pledged pursuant to the Indenture for the equal and ratable security of all the Outstanding Secured Obligations in accordance with and as provided by the terms of the Outstanding Secured Obligations and the Indenture. The Bank shall hold all such amounts deposited in the Lockbox Account pursuant to this Agreement as agent of the Trustee to perfect the lien of the Indenture therein. Except as otherwise permitted under Section 12, the Lockbox Account shall not be closed without the written consent of the RUS.

Section 4. Partial Waiver of Right of Set Off. Except to the extent of any amounts due to the Bank on account of items credited to the Lockbox Account prior to collection that are not subsequently collected, the Bank hereby waives, and agrees that it shall not exercise, any right of set off or any banker’s lien with respect to the Lockbox Account; provided, however, that nothing in this Agreement shall be deemed to constitute a waiver by the Bank of its right of set off or any banker’s lien with respect to any other account of the Company.

Section 5. Payments to Be Made to Account. During any Applicable Period, the Company shall direct each of its members and each other Person obligated to make any payment to the Company of Pledged Revenues to make such payments to the Bank at the address or in such other manner as specified in Section 6 for deposit into the Lockbox Account. The Company agrees not to make, cause or permit to be made any deposits of moneys other than Pledged Revenues into the Lockbox Account. The Company shall use its best efforts to cause its members and each other Person obligated to make any payment of Pledged Revenues to make such payments in accordance with the provisions of this Agreement.

Section 6. Manner of Payment

(a) During any Applicable Period, payments of Pledged Revenues made by mail shall be mailed to:

[]

Reference: Big Rivers Electric Corporation Special Cash Account

or to such other address as may be specified by the Bank to the Company at least thirty (30) days before the effective date of such change. During any Applicable Period, electronic payments of Pledged Revenues shall be made in the following manner:

[]

All such payments of Pledged Revenues shall be accompanied by such references or other instructions to the Bank to deposit such payments in the Lockbox Account. The Bank shall have no responsibility or liability for failing to deposit any moneys in the Lockbox Account which are not accompanied by such references or other instructions to deposit such moneys in such account.

(b) All such payments received by the Bank shall be deposited into the Lockbox Account and held subject to the provisions hereof. The Bank is hereby authorized, empowered and directed by the Company to deposit all funds received as described in Section 6(a) into the Lockbox Account and to make all necessary endorsements and to take all other necessary actions to carry out the purposes of this Agreement. The Company hereby waives notice of presentment, protest and non-payment of any instrument so endorsed.

(c) During any Applicable Period, the Company shall promptly, and no event later than the Business Day following the receipt thereof, remit to the Bank in accordance with Section 6(a) for deposit into the Lockbox Account any Pledged Revenue that is received by the Company.

Section 7. Accounting. No less frequently than once each month, the Bank shall deliver by mail a statement to the Company, with copies to the Trustee, the RUS and such other Persons as may be designated by the Company, which shall identify the date, maker and amount of each deposit to the Lockbox Account, and the date, payee and amount of each withdrawal or other debit to the Lockbox Account.

Section 8. Disbursements.

(a) Upon written demand of the Trustee, accompanied by a statement that there has occurred and is continuing under the Indenture an Event of Default, and continuing until such demand is rescinded, the Bank shall pay to the Trustee all amounts then or thereafter on deposit in the Lockbox Account, to be applied by the Trustee as provided under the Indenture. Such amounts so paid shall be held and administered by the Trustee in accordance with general terms and conditions set forth in the Indenture.

(b) So long as the Bank shall not have received a written demand from the Trustee under paragraph (a) above, on the fifth (5th) Business Day preceding the end of each month during the Applicable Period, the Bank shall withdraw and pay (or deposit in another, unrestricted account, at the direction of the appropriate party listed below) from the amounts on deposit in the Lockbox Account the following amounts in the order indicated to the extent funds are available in the Lockbox Account:

(1) to the Bank, the amount of fees and expenses that are then payable to the Bank under Section 9;

(2) to the Trustee, the amount certified by the Trustee as the amount of any fees or expenses that are then payable to the Trustee under the Indenture;

(3) to the Company, the amount specified in a written request as the amount of ordinary and necessary payments due from the Company for the following month, including, without limitations, payments for operations and regularly scheduled debt service;

(4) to the Trustee, the amount certified by the Company as the amount necessary to provide for the payment of the principal and interest then due or (based on receipt by the Trustee on a monthly basis of a proportional amount of principal and accrued interest) becoming due on the Outstanding Secured Obligations during the following month, for deposit as Trust Moneys under the Indenture;

(5) to the Company, the amount specified in a written request as the amount of expenditures approved for the following month in accordance with a capital expenditure budget approved by the RUS;

(6) to the Company, the amount specified in a written request as the amount of expenditures for the following month approved in writing by the RUS for other purposes; and

(7) to the payment of any amounts due under Obligations to maintain the value of reserve funds established and maintained in connection with debt securities (A) secured by a pledge of certain Obligations, (B) issued on behalf of the Company and (C) with respect to which an opinion was delivered on the date of the issuance of such securities to the effect that the interest on such securities is excluded from the gross income of the holder of such securities pursuant to the Internal Revenue Code, as amended.

(c) Any amounts remaining on deposit in the Lockbox Account on the day following the end of the month in which (i) an Applicable Period no longer exists (as evidenced by an Officers' Certificate and a notice from the RUS to such effect) or (ii) this Agreement terminates pursuant to Section 13, shall be paid to the Company in accordance with, and upon receipt of, a written request, to be used for any lawful purpose.

(d) Pending disbursements of the amounts on deposit in the Lockbox Account, the Bank shall promptly invest and reinvest such amounts in the Defeasance Securities specified in any Company Order or in a mutual fund consisting of Defeasance Securities, or in such other investments as may be approved in writing by the RUS.

(e) Any amounts deposited in the Lockbox Account that do not constitute Pledged Revenues, as identified to the Bank in writing by either of the RUS or the Trustee, shall be promptly paid to the Company (provided that during any period described in paragraph (a) above, in which case such amounts so identified shall be paid to the Trustee). The Company

agrees to promptly notify both of the Trustee and the RUS of any deposits into the Lockbox Account of any amounts not constituting Pledged Revenues.

(f) The RUS agrees that, so long as an Applicable Period exists, it shall promptly respond to any request made by the Company for expenditures pursuant to this Section. If the RUS has not responded within five (5) days (during which the offices of the RUS are open) of the receipt by the RUS of a written request for expenditures, such request will be deemed to have been approved by the RUS. In disbursing any such amounts that are subject to RUS approval, the Bank shall be able to conclusively rely on the Company's statement in writing that the RUS has approved such expenditure in writing or has been deemed to have approved such expenditure.

Section 9. Fees and Expenses of Bank. The Company agrees

(a) to pay to the Bank from time to time such compensation as may be specifically agreed upon with the Bank and, absent specific agreement, reasonable compensation for services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any provision of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Bank's negligence or bad faith; and

(c) to indemnify the Bank for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

All such payments and reimbursements shall be made with interest at the then prevailing prime rate of the Bank.

Section 10. Certain Rights of Bank.

(a) The Bank undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Bank. The Bank makes no representation or warranty as to the priority of any claim or the status, in the event of any insolvency, bankruptcy or other similar proceeding affecting the Company, of amounts held in the Lockbox Account or paid therefrom.

(b) In the absence of bad faith on its part, the Bank may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Bank and appearing to conform to the requirements of this Agreement. The Bank shall have no liability for actions taken pursuant to this Agreement other than as a result of its gross negligence or willful misconduct.

(c) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be required to verify the accuracy of any information or calculations required to be included therein or attached thereto. Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a written request and any resolution of the Board of Trustees may be sufficiently evidenced by a Board Resolution.

(d) Whenever in the administration of this Agreement, the Bank shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Bank (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate.

(e) The Bank may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the negligence or misconduct of such Persons appointed by the Bank with due care hereunder.

(g) The Bank shall not be liable for any errors of judgment made in good faith by it, unless it shall be proved that the Bank was grossly negligent or reckless in ascertaining the pertinent facts.

(h) The Bank shall not be required to give any bond or surety in respect of the execution of the obligations and trusts set forth in this Agreement or otherwise in respect hereof or of the Lockbox Account.

Section 11. Trustee's Rights, Obligations, Etc. The rights, duties, responsibilities and fees of the Trustee hereunder shall be governed by the provisions of Article IX of the Indenture relating to the Trustee and the indemnities provided for in the Indenture shall include all action by the Trustee taken hereunder.

Section 12. Removal, Resignation, Etc. The Bank may resign at any time upon thirty (30) days written notice to the Company, the Trustee and the RUS. The Company may remove the Bank, with the written consent of the RUS, upon thirty (30) days written notice to the Bank, the Trustee and the RUS. The RUS may remove the Bank upon thirty (30) days written notice to the Bank, the Company and the Trustee. Upon any such resignation or removal, the Company shall select another financial institution, with the approval of the RUS, with which to enter into a lockbox agreement substantially upon the terms contained in this Agreement and otherwise upon such terms as shall be permitted or required by the RUS. In the event the Company does not select a financial institution approved by the RUS, the RUS shall select such financial institution.

Section 13. Amendments with Consent of the RUS. Even though this Agreement establishes rights for the benefit of Holders of the Outstanding Secured Obligations, the terms, conditions and requirements of this Agreement are in addition to those found in the Indenture and have been required solely by the RUS. Accordingly, this Agreement can be terminated, amended, modified or supplemented in any way by the Company with the consent of only the RUS and without the consent of the Bank, the Trustee or the Holders of the Outstanding Secured Obligations; provided however that no amendment, modification or supplement to the obligations or rights of the Bank or the Trustee, or otherwise adversely affecting the Bank or the Trustee, shall be effective as to the Bank or the Trustee without the prior written consent of the Bank or the Trustee, or both, as the case may be. This Agreement shall automatically terminate on the date on which the RUS is no longer a Holder of any Outstanding Secured Obligation.

Section 14. Exculpation of the RUS. The RUS shall have no obligation or liability to any party to this Agreement.

Section 15. Benefits of Agreement. Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto, and their successors hereunder and any separate trustee or co-trustee appointed under Section 9.14 of the Indenture, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 18. Specific Performance. Each of the Trustee and the RUS is hereby, to the maximum extent permitted by applicable law, to demand specific performance of this Agreement at any time when the Company shall have failed to comply with any provision of this Agreement applicable to it. The Company hereby irrevocably waives, to the maximum extent permitted by applicable law, any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance.

Section 19. Waiver. No failure on the part of the Trustee, the Bank or the RUS to exercise, and no delay in exercising, any right hereunder, under the Indenture or under the Loan Contract, shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder or thereunder preclude any other or further exercise thereof. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 20. Further Assurances. The Company agrees, at the cost and expense of the Company, to execute and deliver and file and record such further documents or instruments as the Trustee, the RUS or the Bank may reasonably request in order to carry out or confirm the respective rights of the Trustee, the RUS and the Bank under this Agreement.

Section 21. Entire Agreement. This written Agreement represents the final agreement between the parties and may not be contradicted by evidence of prior,

contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between parties.

[Signatures on next page.]

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

OLD NATIONAL BANK
as Lockbox Bank

By: _____
Name: _____
Title: _____

BIG RIVERS ELECTRIC CORPORATION

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION
as Trustee under the Indenture identified herein

By: _____
Name: _____
Title: _____

THE UNITED STATES OF AMERICA

By: _____
Name: _____
Title: _____

EXHIBIT B

To the Amended and Consolidated Loan Contract dated as of July 1, 2009 between Big Rivers Electric Corporation and United States of America

Equal Opportunity Contract Provisions

During the performance of this contract, the Borrower agrees as follows:

(a) The Borrower shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Borrower shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.

(b) The Borrower shall, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Borrower shall send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the Borrower's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Borrower shall comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

(e) The Borrower shall furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to its books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Borrower's noncompliance with the non-discrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Borrower shall include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 12246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The Borrower shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

EXHIBIT C

To the Amended and Consolidated Loan Contract dated as of July 1, 2009 between Big Rivers Electric Corporation and United States of America

Description of Rating Agency Services

- (a) Comprehensive credit evaluation and assignment of an initial long term credit rating;
- (b) Ongoing surveillance of Big Rivers Electric Corporation's ("BR's") rating, including an annual meeting with senior ratings agency analysts, and a full credit report published annually;
- (c) Annual presentation by senior ratings agency analysts on BR's credit rating to BR's Board of Directors, if so requested;
- (d) Annual presentation by senior ratings agency analysts on BR's credit rating to the RUS, if so requested by the RUS; and
- (e) Furnish to the RUS copies of any written reports given to BR.

EXHIBIT D

Wholesale Power Contracts

1. Wholesale Power Contract made as of October 14, 1977, between the Borrower and Jackson Purchase Rural Electric Cooperative Corporation, as amended.
2. Wholesale Power Contract made as of June 11, 1962 between the Borrower and Meade County Rural Electric Cooperative Corporation, as amended.
3. Wholesale Power Contract made as of June 11, 1962 between the Borrower and Kenergy Corp. (successor by consolidation to Henderson Union Rural Electric Cooperative Corporation), as amended.
4. Wholesale Power Contract made as of June 11, 1962 between the Borrower and Kenergy Corp. (successor by consolidation to Green River Electric Corporation), as amended.
5. Agreement dated October 12, 1974 by and between the Borrower and Kenergy Corp. (successor by consolidation to Henderson-Union Electric Corporation), as amended.
6. Agreement dated October 12, 1974 by and between the Borrower and Kenergy Corp. (successor by consolidation to Green River Electric Corporation) as amended and restated by an Agreement dated February 16, 1988, as amended.
7. Agreement dated as of July 15, 1998 between the Borrower and Kenergy Corp. (successor by consolidation to Green River Electric Corporation and Henderson-Union Electric Cooperative Corp.). as amended.
8. Wholesale Electric Service Agreement (Alcan) dated July 16, 2009 by and between the Company and Kenergy Corp.
9. Wholesale Electric Service Agreement (Century) dated as of July 16, 2009 by and between the Company and Kenergy Corp.

LOAN AGREEMENT

LOAN AGREEMENT (this "**Agreement**") dated as of July 27, 2012 between BIG RIVERS ELECTRIC CORPORATION (the "**Borrower**"), a cooperative corporation organized and existing under the laws of the Commonwealth 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 loans for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such loans to the Borrower on the terms and conditions stated herein; and

WHEREAS, the Borrower has agreed to execute two (2) 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 Definitions. Capitalized terms used herein shall have the meanings as set forth (i) below, or (ii) elsewhere herein as indicated by such terms shown in quotation marks within parentheses. All such definitions shall be equally applicable to the singular and the plural form thereof. Capitalized terms that are not defined herein shall have the meanings as set forth in the Indenture (as hereinafter defined).

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

"Affiliate" shall have the meaning set forth in the Indenture.

"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.

"Billing Cycle" shall mean any three-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.

"Capital Certificate" shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of subordinated debt instruments issued by CFC from time to time. Such instruments may be denoted by CFC as "Loan Capital Term Certificates," "Member Capital Securities," "Subordinated Term Certificates," or other like designations.

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

"CFC Fixed Rate" shall mean (i) such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect, or (ii) such other fixed rate as may be agreed to in writing by the parties.

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

"CFC Obligations" shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC under the Loan Documents, 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.

"CFC Variable Rate" shall mean (i) 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, or (ii) such other variable rate as may be agreed to by the parties.

"Closing Date" shall mean the date specified on Schedule 1.

"Conversion Request" shall mean a written request from any duly authorized officer or other employee of the Borrower requesting an interest rate conversion available pursuant to the terms of this Agreement.

"Default Rate" shall mean a rate per annum equal to the interest rate in effect for an Advance plus two hundred (200) basis points.

"Direct Serve Contracts" shall mean wholesale electric service contracts (together with material amendments or supplements thereto and all successor or replacement contracts and agreements thereto and thereof) with a member of Borrower to provide wholesale electric service directly from Borrower's transmission system to any customer for which the member has an electric service contract with such customer.

"Disclosure Statement" shall mean that certain Big Rivers Electric Corporation Disclosure Statement dated as of July 12, 2012.

"Environmental Laws" shall mean all applicable laws, rules and regulations promulgated by any Governmental Authority with which the 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.

"Environmental Permits" shall mean permits or licenses issued by any Governmental Authority under applicable Environmental Laws.

"Equity Note" shall mean the 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, and shall include all substitute, amended or replacement promissory notes.

"Governmental Authority" shall mean the government of the United States of America, 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 that is defined and regulated as hazardous or toxic or as a pollutant or contaminant in any applicable Environmental Law.

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

"Interest Charges" shall have the meaning set forth in the Indenture.

"Interest Rate Adder" shall mean an amount of additional interest, expressed in basis points, added to the then prevailing rate of interest on an outstanding Advance.

"Interest Rate Reset Date" shall mean, with respect to any Advance, the first day following the expiration of the CFC Fixed Rate Term for such Advance.

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

"Loan Documents" shall mean this Agreement, the Note, the Indenture and the Supplemental Indenture.

"Long-Term Debt" shall mean the aggregate principal amount of Outstanding Secured Obligations and Prior Lien Obligations of the Borrower computed pursuant to Accounting Requirements.

"Make-Whole Premium" shall mean, with respect to any Prepaid Principal Amount, an amount calculated as set forth below. The Make-Whole Premium represents CFC's reinvestment loss resulting from making a fixed rate loan.

(1) Compute the amount of interest ("**Loan Interest**") that would have been due on the Prepaid Principal Amount at the applicable CFC Fixed Rate for the period from the prepayment date through the end of the CFC Fixed Rate Term (such period is hereinafter referred to as the "**Remaining Term**"), calculated on the basis of a 30-day month/360-day year, adjusted to include any amortization of principal in accordance with the amortization schedule that would have been in effect for the Prepaid Principal Amount.

(2) Compute the amount of interest ("**Investment Interest**") that would be earned on the Prepaid Principal Amount (adjusted to include any applicable amortization) if invested in a United States Treasury Note with a term equivalent to the Remaining Term, calculated on the basis of a 30-day month/360-day year. The yield used to determine the amount of Investment Interest shall be based upon United States Treasury Note yields as reported no more than two Business Days prior to the prepayment date in Federal

Reserve statistical release H.15 (519), under the caption "U.S. Government Securities/Treasury Constant Maturities". If there is no such United States Treasury Note under said caption with a term equivalent to the Remaining Term, then the yield shall be determined by interpolating between the terms of whole years nearest to the Remaining Term.

(3) Subtract the amount of Investment Interest from the amount of Loan Interest. If the difference is zero or less, then the Make-Whole Premium is zero. If the difference is greater than zero, then the Make-Whole Premium is a sum equal to the present value of the difference, applying as the present value discount a rate equal to the yield utilized to determine Investment Interest.

"Margins for Interest" shall have the meaning set forth in the Indenture.

"Margins for Interest Ratio" means, for any period, (i) the sum of (a) Margins for Interest plus (b) Interest Charges, divided by (ii) Interest Charges.

"Material Adverse Effect" means an effect on the operations, business, assets, liabilities (actual or contingent) or condition (financial or otherwise) of the Borrower or its Subsidiaries, taken as a whole, the result of which would, or would reasonably be expected to, materially adversely affect (a) the ability of the Borrower to repay Advances or perform any of its other obligations under this Agreement, or (b) the validity or enforceability of this Agreement or the rights or benefits available to CFC under this Agreement or any of the other Loan Documents.

"Material Direct Serve Contracts" shall mean any Direct Serve Contract to (i) any smelter to which a member of the Borrower supplies power, and (ii) any customer with a contract load of 25 megawatts or greater.

"Maturity Date", with respect to the Note, shall mean the dates identified in the table in Item No. 5 of Schedule 1.

"Member Wholesale Power Contracts" shall mean the Borrower's power supply contracts with its members (together with material amendments and supplements thereto) and all successor or replacement contracts and agreements thereto or thereof, excluding the Direct Serve Contracts.

"Note" shall mean the Equity Note and/or the Refinance Note, as the context shall require.

"Payment Date" shall have the meaning set forth on 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 under this Agreement and the Note.

"Prepaid Principal Amount" shall mean all or any part of the outstanding principal of an Advance with a CFC Fixed Rate paid prior to the expiration of the CFC Fixed Rate Term applicable thereto.

"Prepayment Fee" shall mean an amount equal to 0.33% of the Prepaid Principal Amount of any Advance.

"Refinance Note" shall mean the secured 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, and shall include all substitute, amended or replacement promissory notes.

"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 Person performing such duties at such time.

"RUS Series A Note" shall mean that certain RUS 2009 Promissory Note Series A, dated July 16, 2009 made by the Borrower to the United States of America, in the original principal amount of \$602,573,536, maturing on July 1, 2021, and being identified as an RUS Obligation under the Indenture.

"Subsidiary" shall have the meaning set forth in the Indenture.

"Supplemental Indenture" shall mean that certain Third Supplemental Indenture between Borrower, as grantor, and U.S. Bank National Association, as trustee, dated as of July 15, 2012.

"Treasury Note" shall mean a U.S. Dollar-denominated senior debt security of the United States of America issued by the U.S. Treasury Department and backed by the full faith and credit of the United States of America.

"Trust Estate" shall have the meaning set forth in the Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01 Closing Date Representations and Warranties. The Borrower represents and warrants to CFC that as of the Closing Date:

A. Litigation. Except as disclosed on Schedule 2.01A, there are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its properties which, if adversely determined, either individually or collectively, would reasonably be expected to have a Material Adverse Effect. The Borrower is not, to its knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would reasonably be expected to have a Material Adverse Effect.

B. Financial Statements. The balance sheet of the Borrower as at the date identified in Schedule 1, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower as at the date identified in Schedule 1, all heretofore furnished to CFC, fairly present, in all material respects, the financial condition of the Borrower as at said dates and fairly reflect its operations for the periods ending

on said dates. There has been no change in the financial condition or operations of the Borrower from that set forth in said financial statements that would reasonably be expected to have a Material Adverse Effect.

C. Disclosure. To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement listed on Schedule 2.01C (all such documents, certificates and financial statements to be taken as a whole) as of the date of delivery thereof, and in the light of the circumstances under which they were made, 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 materially misleading, provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

D. Environmental Matters. Except as disclosed on Schedule 2.01D, and except as to matters which individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect, (i) the Borrower is in substantial compliance with all applicable Environmental Laws (including, but not limited to, having any required Environmental Permits), (ii) to Borrower's knowledge, there have been no releases (other than releases remediated in substantial compliance with applicable Environmental Laws and air emissions) from any underground or aboveground storage tanks (or piping associated therewith) that are present on the Trust Estate, (iii) the Borrower has not received written notice or claim of any violation of any Environmental Law from a Governmental Authority and failed to take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter in order to comply with any Environmental Law that is the subject of such written notice or claim, (iv) to the best of the Borrower's knowledge, there is no pending investigation of the Borrower in regard to any Environmental Law, and (v) to the best of the Borrower's knowledge, there has not been any unauthorized release (other than releases remediated in compliance with Environmental Laws) that has resulted in the presence of Hazardous Materials on property owned, leased or operated by the Borrower for which the Borrower could reasonably be held responsible for mitigation under any Environmental Law.

E. Good Standing. The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, and, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, 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.

F. 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.

G. Authority; Validity. The Borrower has the power and authority to enter into this Agreement, the Note and the Supplemental Indenture; 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, in the Note and in the Indenture, 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, the Note and the Supplemental Indenture 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.

H. No Conflicting Agreements. The execution and delivery of the Loan Documents and performance by the Borrower of the obligations hereunder and thereunder, and the transactions contemplated hereby or thereby, will not in any material respect: (i) violate any provision of law, any order, rule or regulation of any Governmental Authority, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, the Indenture or any material 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, the Indenture or any such contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated by the Indenture) upon any material assets of the Borrower; in each case where such violation or conflict of which would reasonably be expected to have a Material Adverse Effect.

I. Taxes. The Borrower 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 (i) for such taxes, assessments, and governmental charges and levies which the Borrower is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside, if such reserves are required by Accounting Requirements, or (ii) to the extent the failure to do so would not reasonably be expected to have a Material Adverse Effect.

J. 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, except for failures to obtain or hold such items as would not reasonably be expected to have a Material Adverse Effect.

K. Required Approvals. The Borrower has obtained all licenses, consents or approvals of all Governmental Authorities that the Borrower is required to obtain in order for the Borrower to enter into and perform under this Agreement, the Note and the Supplemental Indenture. Each such certificate, authorization, consent, permit, license and approval is in full force and effect.

L. Compliance with Laws. To the best of the Borrower's knowledge, the Borrower is in compliance with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority, except for any such failures of compliance as would not reasonably be expected to have a Material Adverse Effect.

M. No Other Liens. As to the Trust Estate, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed, other than as provided for under the Indenture or as permitted by the Indenture, including Permitted Exceptions as permitted by the Indenture.

N. Borrower's Legal Status. Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

O. Use of Proceeds. The Borrower will use the proceeds of the Notes solely for the purposes identified in Schedule 1 hereto.

P. Member Wholesale Power Contracts and Material Direct Serve Contracts. The Borrower has heretofore delivered to CFC complete and correct copies of the Member Wholesale Power Contracts and Material Direct Serve Contracts in effect on the date hereof. Identified on Schedule 2.01P are the Member Wholesale Power Contracts and the Material Direct Serve Contracts in effect as of the Closing Date. To the best of the Borrower's knowledge, after due inquiry, (i) except as set forth in the Disclosure Statement, there is no condition or circumstance that would impair any member's ability to perform its obligations under any Member Wholesale Power Contract or Material Direct Serve Contract to which it is a party, and (ii) from and after the date of the Disclosure Statement through and including the Closing Date, there has been no condition or circumstance that would impair any member's ability to perform its obligations under any Member Wholesale Power Contract or Material Direct Serve Contract to which it is a party. The Member Wholesale Power Contracts and Direct Serve Contracts are legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with their respective terms.

ARTICLE III

REFINANCE LOAN

Section 3 Scope. The provisions of this Article III shall apply solely to the Refinance Note and the Advance thereunder.

Section 3.01 Advance. The amount of the Refinance Note shall be fully advanced on the Closing Date. No further Advances of the Refinance Note shall be available after the Closing Date.

Section 3.02 Interest Rate and Payment. The Refinance Note shall be payable and bear interest as follows:

A. Maturity; Amortization; Payments.

(i) Maturity Date. The Refinance Note shall have a Maturity Date that is not more than twenty (20) 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) Amortization. The principal amount of the Refinance Note shall amortize according to the amortization method set forth in item 5 on Schedule 1, *provided, however*, that the amortization period for the Refinance Note shall not extend beyond the applicable Maturity Date. 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 Refinance Note Maturity Date.

(iii) Payments. The Borrower shall make each payment required to be made by it hereunder or under the Refinance Note (whether of principal, interest or fees, or otherwise) on the date when due, in immediately available funds, without set-off or counterclaim.

B. Application of Payments. Each payment shall be applied to the CFC 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 the Advance on the Refinance 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 the Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by the Borrower. On the Interest Rate Reset Date for such Advance, the Borrower may then select any available interest rate option for such Advance pursuant to CFC's policies of general application. The Advance shall bear interest according to the interest rate option so selected beginning on the Interest Rate Reset Date. If the Borrower does not select an interest rate in writing prior to the Interest Rate Reset Date, then beginning on the Interest Rate Reset Date the Advance shall bear interest at the CFC Variable Rate. The Borrower may not select a CFC Fixed Rate with a CFC Fixed Rate Term that extends beyond the applicable Maturity Date. Interest on amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days, until the first day of the 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. Interest on non-amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

(ii) CFC Variable Rate. If the Borrower has selected the CFC Variable Rate for the 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. The interest rate conversion options set forth in this Section 3.03 are available to the Advance on the Refinance Note.

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 for loans similarly classified pursuant to CFC's policies and procedures then in effect.

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 for loans similarly classified pursuant to CFC's policies and procedures then in effect. 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 fifteen (15) days prior written notice to CFC, prepay the Advance, in whole or in part. In the event the Borrower prepays all or any part of the Advance (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), the Borrower shall pay any Prepayment Fee and/or Make-Whole Premium as CFC may prescribe pursuant to the terms of this Section 3.04. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of and to the date of the repayment. All prepayments shall be applied first to fees, second to the payment of accrued and unpaid interest, and then to the unpaid balance of the principal amount of the Advance.

If the Advance bears interest at the CFC Variable Rate, then the Borrower may on any Business Day prepay the Advance or any portion thereof, provided that the Borrower pays together therewith the Prepayment Fee. If the Advance bears interest at a CFC Fixed Rate, then the Borrower may prepay the Advance on (a) the Business Day before an Interest Rate Reset Date, provided that the Borrower pays together therewith the Prepayment Fee, or (b) any other Business Day, provided that the Borrower pays together therewith the Prepayment Fee and any applicable Make-Whole Premium.

ARTICLE IIIA

EQUITY LOAN

Section 3A. Scope. The provisions of this Article IIIA shall apply solely to the Equity Note and Advances thereunder.

Section 3A.01 Advance. On the Closing Date, Borrower will finance the purchase of Capital Certificates with the proceeds of the Equity Note. The amount of the Advance made on the Equity Note shall equal 14.29% of the Advance on the Refinance Note. The principal amount at any one time outstanding shall not exceed the portion of the CFC Commitment allocated to the Equity Note. The obligation of the Borrower to repay the Advance shall be evidenced by the Equity Note.

Section 3A.02 Term; Amortization. The Advance shall have a term concurrent with the corresponding Advance on the Refinance Note. The Advance shall amortize proportionally to the corresponding Advance on the Refinance Note.

Section 3A.03 Use of Proceeds. The Advance shall be made solely to purchase the Capital Certificates required under the terms of this Agreement.

Section 3A.04 Payment. On each Payment Date, the Borrower shall promptly pay interest and/or principal, as applicable, in the amounts then due. 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.

Section 3A.05 Application of Payments. Each payment shall be applied first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, and the balance to principal.

Section 3A.06 Interest Rate. Each Advance shall bear interest at the CFC Fixed Rate for twenty (20) year loans, as in effect on the date of the Advance hereunder, which rate shall be fixed to the Maturity Date. Interest on the Advance 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. No provision of this Agreement or of the Equity Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Section 3A.07 Prepayment. The Borrower may at any time, on not less than fifteen (15) days' written notice to CFC, make a prepayment on the Equity Note, together with the interest accrued to the date of prepayment. No prepayment premium shall be charged.

Section 3A.08 Security. The Borrower agrees that CFC shall retain possession of the original equity term certificates (which may be in book entry form) as security against payment hereunder, and upon the occurrence of an Event of Default, may exercise setoff rights with respect thereto.

ARTICLE IIIB

GENERAL LOAN PROVISIONS

Section 3B.01 Mandatory Prepayment – Change in Structure. If the Borrower shall merge, consolidate or have all or substantially all of the assets of the Borrower acquired, then upon the effective date of such change, the Borrower shall prepay the outstanding principal balance of all CFC Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, the Prepayment Fee and a Make-Whole Premium, if any. Notwithstanding the foregoing, no prepayment shall be required under this Section 3B.01 if, after giving effect to such change, the Borrower, or its successor in interest, is engaged in the furnishing of electric utility services to its members and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body and is, or becomes, a member of CFC.

Section 3B.02 Usury Savings Clause. No provision of this Agreement or of the Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Section 3B.03 Default Rate. If the Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty (30) days thereafter, then beginning on the thirty-first (31st) day after the Payment Date and for so long as such default continues, the interest rate on all Advances shall be the Default Rate.

Section 3B.04 Invoice. CFC will invoice the Borrower at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send an invoice 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.

ARTICLE IV

CONDITIONS

Section 4.01 Conditions of Closing. This Agreement shall become effective only upon the satisfaction of the following conditions as of the Closing Date.

A. Legal Matters. All legal matters incident to the consummation of the transactions hereby contemplated shall be reasonably satisfactory to counsel for CFC and, as to all matters of local law, to such local counsel as counsel for CFC may retain. CFC's execution of this Agreement shall evidence satisfaction of this condition.

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 reasonably 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. CFC's execution of this Agreement shall evidence satisfaction of this condition.

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 (if any) that are necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder. No certificate, authorization, consent, permit, license or approval of any Governmental Authority that is required to enable the Borrower to (a) enter into the Loan Documents, (b) perform all of the obligations provided for in such documents, shall have been invalidated, rescinded, stayed or determined to be invalid in any material respect by any Governmental Authority.

D. Indenture; Supplemental Indenture; UCC Filings. The Indenture and the Supplemental Indenture shall have been duly filed, recorded or indexed in all jurisdictions necessary to provide the Trustee thereunder a perfected lien, subject to Permitted Exceptions, on all of the Trust Estate, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC. Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide the Trustee a perfected security interest, subject to Permitted Exceptions, in the Trust Estate which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

E. Representations and Warranties. The representations and warranties of the Borrower set forth in Section 2.01 shall be true and correct.

F. Defaults. No event or condition has occurred that constitutes an Event of Default, or which upon notice hereunder, lapse of time hereunder or both would, unless cured or waived, become an Event of Default.

G. Material Adverse Effect. Except as set forth in the Disclosure Statement, no event or condition has occurred that would result in a Material Adverse Effect. From and after the date of the Disclosure Statement through and including the Closing Date, no event or condition has occurred that would result in a Material Adverse Effect.

H. Note Authentication. The Refinance Note shall have been duly authenticated by the Trustee as Obligations secured under the Indenture.

I. Member Wholesale Power Contract Amendments; Material Direct Serve Contracts. CFC shall have received true and correct copies of the Member Wholesale Power Contracts and Material Direct Serve Contracts listed on Schedule 2.01P, including any and all material amendments, supplements or modifications thereto, certified by a senior authorized representative of Borrower (e.g., president, vice-president, general manager, chief financial officer or persons that hold equivalent titles).

J. Additional Financing. Borrower shall provide evidence satisfactory to CFC that Borrower (i) has closed and received funds from a non-CFC secured financing in an amount of at least \$140,000,000 for purposes of refinancing the RUS Series A Note, or (ii) will close simultaneous herewith and obtain a same day (i.e., day of closing) funding from a non-CFC secured financing in an amount of at least \$140,000,000 for purposes of refinancing the RUS Series A Note.

K. Funding of Proceeds under Refinance Note and Equity Note. On the Closing Date, the proceeds of the Equity Note and Refinance Note shall be funded contemporaneously to Borrower.

L. Requisition for Advance. The Borrower will requisition the Advance under the Refinance Note by submitting its written requisition to CFC, in the form attached hereto as Exhibit A, and otherwise in form and substance satisfactory to CFC. The requisition for Advance on the Refinance Note shall be made only for the purposes set forth in Schedule 1 hereto.

M. Other Information. The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) additional information regarding the use of the Advance, (ii) 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 Margins for Interest 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 (iii) any other information as CFC may reasonably request.

N. CFC Expenses. The obligation of CFC to extend credit pursuant to the terms hereof is subject to the payment by the Borrower of the reasonable out-of-pocket fees and expenses incurred by CFC in connection with the (i) underwriting of the facilities described herein, and (ii) the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents (including, without limitation, any engineering and legal expenses associated with the loan facilities described herein).

ARTICLE V
COVENANTS

Section 5.01 Covenants. Notwithstanding anything to the contrary contained in the Disclosure Statement, the Borrower covenants and agrees with CFC that after the Closing Date and until payment in full of the Notes and performance of all obligations of the Borrower hereunder:

A. Margins for Interest Ratio. The Borrower shall comply, in all respects, with the Margin for Interest Ratio covenant set forth in Section 13.14 of the Indenture.

B. Annual Certificates. Within one hundred twenty (120) days after the close of each fiscal year, commencing with the year in which this Agreement is effective, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, either (a) signed by the Borrower's President and Chief Executive Officer (or equivalent chief executive officer) or (b) submitted electronically through means made available to the Borrower by CFC, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations in all material respects under this Agreement, the Notes and the Indenture 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.

C. Financial Books; Financial Reports; Right of Inspection.

(i) Within one hundred twenty (120) days after the end of each fiscal year of the Borrower, the Borrower shall provide to CFC the audited consolidated balance sheets and related statements of operations, statement of equities and statement of cash flows of the Borrower and its Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, reported on by independent public accountants (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Subsidiaries on a consolidated basis in accordance with the Accounting Requirements.

(ii) Within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the Borrower shall provide to CFC the unaudited consolidated balance sheets and related statements of operations, and such other interim statements as may reasonably be requested, of the Borrower and its Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year, which shall present fairly in all material respects the financial condition and results of operations of the Borrower and its Subsidiaries on a consolidated basis in accordance with the Accounting Requirements, subject to changes resulting from audit and normal year-end audit adjustments.

(iii) Within one hundred twenty (120) days after the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a statement, setting forth in reasonable detail its calculation of its Margins for Interest Ratio for the prior fiscal year and two

prior fiscal years, signed either by its President and Chief Executive Officer (or equivalent chief executive officer, its Vice President and Chief Financial Officer (or equivalent chief financial officer), or such other officer that reports directly or indirectly to its Vice President and Chief Financial Officer (or equivalent chief financial officer).

(iv) Within thirty (30) days after (a) the end of each the Borrower's fiscal years during the term hereof or (b) CFC's request, the Borrower shall furnish to CFC updated cash flow projections for the succeeding fiscal year, which projections shall be in form and substance reasonably satisfactory to CFC and certified by the Borrower's Vice President and Chief Financial Officer (or equivalent chief financial officer) or another duly authorized executive officer of the Borrower.

(v) The Borrower shall provide, within fifteen (15) days after the same may come available, copies of the Borrower's budgets and financial plans approved by the Borrower's Board of Directors.

(vi) The Borrower will keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the Obligations and the plant, properties, business and affairs of the Borrower in accordance with Accounting Requirements. The Borrower will, upon reasonable written notice by CFC to the Borrower and at the expense of the Borrower, permit CFC, by its representatives, to inspect the plants and properties, books of account, records, reports and other papers of the Borrower, and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the Borrower will furnish to CFC any and all information as CFC may reasonably request, with respect to the performance by the Borrower of its covenants in this Agreement; provided, however, the Borrower shall not be required to make available any information supplied to it by a third party which is subject to a confidentiality agreement with such third party except to the extent allowed by, and subject to the terms of such confidentiality agreement.

D. Funds Requisition; Interest Rate Elections. The Borrower agrees (i) that CFC may rely conclusively upon the interest rate option, interest rate term and other written instructions submitted to CFC, and (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Notes, the Indenture and this Agreement.

E. Compliance with Laws. The Borrower shall remain in compliance with all applicable requirements of law and applicable rules and regulations of each Governmental Authority, except for any such failures of compliance as would not reasonably be expected to have a Material Adverse Effect or as provided in Section 5.01.H.

F. 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 (i) for such taxes, assessments, and governmental charges and levies which the Borrower is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside, if such reserves are required by Accounting Requirements, or (ii) to the extent the failure to do so would not reasonably be expected to have a Material Adverse Effect.

G. Further Assurances. The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions

(including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created by the Indenture. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority, or continued perfection and priority, of the Liens preserved, created or intended to be created by the Indenture.

H. Notices of Environmental Actions. If Borrower receives any written communication from a Governmental Authority alleging Borrower's material violation of any Environmental Law, then Borrower shall provide CFC with a copy thereof within thirty (30) days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter in order to comply with any Environmental Law that is the subject of such written communication, except such notices of violations which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

I. Accounting Requirements. For purposes of determining any computation made under this Agreement, and notwithstanding Section 1.1D of the Indenture, the Borrower shall only apply those Accounting Requirements in use in the United States at the time of the determination of such computation.

J. Use of Proceeds; RUS. The Borrower shall use the proceeds of the Notes solely for the purposes identified in Schedule 1 hereto. With respect to the proceeds of the Refinance Note, the Borrower agrees that (i) upon receipt of the Advance of the amount evidenced by the Refinance Note, together with the proceeds received by Borrower from the non-CFC secured financing, as required pursuant to Section 4.01.J hereof, Borrower will immediately prepay a portion of the unpaid balance of the RUS Series A Note so as to reduce the remaining unpaid balance thereof to not more than \$80,456,000, and (ii) Borrower will not take any action to cause the remaining unpaid balance of the RUS Series A Note to exceed the amount of \$80,456,000. In furtherance of the foregoing, Borrower agrees to promptly cause a modification to the maximum principal balance schedule of the RUS Series A Note in order to reflect that the maximum principal balance set forth therein and/or available thereunder shall not exceed \$80,456,000. Borrower agrees to provide evidence of such modification to CFC promptly after finalization of same.

K. Capital Certificates. In accordance with CFC's policies of general application, Borrower agrees that CFC may at all times retain Capital Certificates purchased by Borrower in an amount equal to 12.5% of the aggregate outstanding balance of the Refinance Note and the Equity Note.

L. Default Notices. The Borrower shall provide CFC any notice delivered by the Borrower to the Trustee pursuant to Section 13.12 of the Indenture promptly after delivering such notice to the Trustee.

M. Notice; Member Wholesale Power Contracts and Direct Serve Contracts. The Borrower will furnish to CFC prompt written notice of the following:

(i) any permitted termination of, modification to or supplement to a Member Wholesale Power Contract that will result in a material change thereto;

(ii) any (a) permanent shutdown or material curtailment of the operations of any Borrower member retail customer for which wholesale service is provided under a Direct Serve Contract, (b) material modification to a Direct Serve Contract, and (c) termination of any Direct Serve Contract.

N. Compliance with Indenture Covenants. Borrower shall comply with all the covenants identified in Article XI and Article XIII of the Indenture.

O. New Member Wholesale Power Contract; New Material Direct Serve Contracts. Borrower shall provide CFC with copies of any new Member Wholesale Power Contract and new Material Direct Serve Contracts (together with material amendments or supplements thereto and all successor or replacement contracts and agreements thereto and thereof) entered into after the Closing Date.

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

A. Limitations on Liens. The Borrower will not create or incur or suffer or permit to be created or incurred or to exist any mortgage, lien, charge or encumbrance on or pledge of any of the Trust Estate prior to or upon a parity with the lien of the Indenture except for Permitted Exceptions and those exceptions set forth in Section 13.6 A. and 13.6 B. of the Indenture.

B. Limitations on Mergers. The Borrower shall not consolidate with or merge into any other Person or convey or transfer the Trust Estate substantially as an entirety to any Person, except as may be permitted pursuant to the terms and provisions of Section 11.1 of the Indenture.

C. No Change in Fiscal Year. The Borrower will not change its fiscal year from the fiscal year existing on the Closing Date without the prior written consent of CFC, not to be unreasonably withheld.

D. Member Wholesale Power Contracts. The Borrower will not, and will not consent to, the termination of any one or more Member Wholesale Power Contracts that, individually or in the aggregate, represent 20% or more of the Borrower's revenue base (other than at the end of the contract term or a voluntary termination provided by the contract terms).

ARTICLE VI

EVENTS OF DEFAULT

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

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

B. Financial Reports. The Borrower shall fail to provide the financial reports required by Section 5.01.C within the time period specified therein;

C. Margins for Interest Ratio. The Borrower shall fail to comply with Section 13.14 of the Indenture;

D. Representations and Warranties. Any representation or warranty made by the Borrower herein shall prove to be false or misleading in any material respect at the time made if such false or misleading representation or warranty is, in CFC's reasonable judgment, one that a prudent lender would consider material to its decision to extend credit;

E. Other Covenants. (i) Default by the Borrower in the observance or performance of the covenant contained in Section 5.01.J of this Agreement, or (ii) default by the Borrower in the observance or performance of any other covenant contained in this Agreement, other than those identified in Section 5.02, which shall continue for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC; *provided, however,* that if the default cannot be cured within such thirty (30) day period despite the Borrower's good faith and diligent efforts to do so, the cure period shall be extended as is reasonably necessary beyond such thirty (30) day period (but in no event longer than sixty (60) days) if remedial action likely to result in a cure is promptly instituted within such thirty (30) day period and is thereafter diligently pursued until the default is corrected;

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

G. Negative Covenants. The Borrower shall fail to comply with the Section 5.02 of this Agreement; or

H. Indenture Obligations. An "Event of Default," as defined in the Indenture, shall have occurred and be continuing, provided such "Event of Default" has not been waived or cured as provided for under the terms of the Indenture.

ARTICLE VII

REMEDIES

Section 7.01 General Remedies. If any of the Events of Default listed in Article VI hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein (if any), then CFC may:

- (i) 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 CFC Obligations of the Borrower now or hereafter existing hereunder or under the Notes, including, but not limited to, patronage capital allocations and retirements, money due to the Borrower from Capital Certificates, and any membership or other fees that would otherwise be returned to the Borrower. The rights of CFC under this Section 7.01 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;

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

Section 7.02 Interest Rate Adder. In addition to the remedies set forth in Section 7.01, upon the occurrence of an Event of Default, an Interest Rate Adder of two hundred (200) basis points shall be imposed on the outstanding principal amount of all Advances until such Event of Default is cured. The effective date of an Interest Rate Adder imposed or eliminated pursuant to this Section 7.02 shall be the first (1st) day of month following the occurrence of the Event of Default or the cure thereof, as applicable.

Section 7.03 Concurrent Remedies. 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
20701 Cooperative Way
Dulles, Virginia 20166
Attention: General Counsel
Fax # 866-230-5635

The Borrower:

The address set forth in
Schedule 1

Section 8.02 Expenses. The 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 CFC Obligation, to effect collection of any Trust Estate, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on the Lien of the Indenture on any of the Trust Estate, whether through judicial proceedings or otherwise, (c) to restructure any CFC Obligation, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, and (f) 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 then prevailing CFC Variable Rate, plus 200 basis points.

Section 8.03 Late Payments. If payment of any amount due hereunder is not received at CFC's office in Dulles, 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 the filing, registration, recordation or perfection of the Supplemental Indenture and UCC Financing Statements, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation 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, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this Section 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 Notes or the other Loan Documents (except as otherwise provided in the Indenture) 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 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, THE TRUST ESTATE, 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 FROM, AND TO THE EXTENT OF, THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTES, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE INDENTURE.

Section 8.09 Complete Agreement. This Agreement, together with the schedules to this Agreement, the Notes 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 (other than the Indenture), 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

Advances and shall continue in full force and effect until all of the CFC Obligations have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement are personal to CFC and shall not 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.

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 Notes 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 Notes 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 as provided in Section 8.10.

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 Schedules; Exhibits. All Schedules and Exhibits are integral parts of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

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

BIG RIVERS ELECTRIC CORPORATION

By: Mark A. Bailey
Name: Mark A. Bailey
Title: President and CEO

**NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION**

By: Dan Lyzinski
Dan Lyzinski
Assistant Secretary-Treasurer

Attest: [Signature]
Assistant Secretary-Treasurer

EXHIBIT A - Form of Funds Requisition Statement



Borrower Name		Borrower ID #	Requested Funding Date
Big Rivers Electric Corporation		KY062	
Banking Information			
Bank Name			
Bank Account #			
Certification			

I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on behalf of the Borrower (each such request, an "Advance") in accordance with the loan agreement governing the Advance (the "Loan Agreement"); (2) no Event of Default (as defined in the Loan Agreement) has occurred and is continuing; (3) I know of no other event that has occurred which, with the lapse of time under the Loan Agreement and/or notification to CFC of such event under the Loan Agreement, or after giving effect to the Advance, would become such an Event of Default; (4) all of the representations and warranties made in Sections 2.01 of the Loan Agreement are true and correct in all material respects (except to the extent any representation or warranty is made as of a specified date, in which case such representation and warranty shall have been true and correct as of the specified date); (5) the Borrower has satisfied each other condition to the Advance as set forth in the Loan Agreement; and (6) the proceeds of the Advance will be used only for the purposes permitted by the Loan Agreement. I hereby authorize CFC to make Advances on the following terms, and hereby agree that such terms shall be binding upon the Borrower under the provisions of the Loan Agreement:

Facility Number	Amount	Repayment Term	Interest Rate Type (Fixed/Variable)	Interest Rate Term (if Fixed Rate)	Amortization Method	Purpose

Certified By: _____
Signature
Date
Title of Authorized Officer

PLEASE FAX TO 703-467-____ ATTN: _____, Associate Vice President

*****FOR INTERNAL USE ONLY*****

Recommended By: _____ Approved By: _____
AVP
Portfolio Manager

SCHEDULE 1

1. The purpose of the Refinance Note is to (i) refinance \$277,000,000 of RUS indebtedness evidenced by the RUS Series A Note, and (ii) repay CFC \$25,000,000 with respect to a certain line of credit advance made to Borrower under CFC Loan No. KY062-R-5102. The purpose of the Equity Note is to fund the purchase of Capital Certificates, and the proceeds thereof shall be used solely for such purpose.
2. The aggregate CFC Commitment is \$345,155,800.00, *provided, however,* that \$302,000,000 shall be available on the Refinance Note, and \$43,155,800.00 shall be available on the Equity Note.
3. The Indenture referred to in Section 1.01 is that certain Indenture between Big Rivers Electric Corporation, as grantor, and U.S. Bank National Association, as trustee, date as of July 1, 2009, as supplemented, amended, consolidated, or restated from time to time.
4. The Closing Date referred to in Section 1.01 is July 27, 2012.
5. The Notes executed pursuant hereto and the amortization method for such Notes are as follows:

NOTE	LOAN NUMBER	AMOUNT	MATURITY DATE	AMORTIZATION METHOD
REFINANCE NOTE	KY062-A-9003	\$302,000,000.00	Twenty (20) Years from the Closing Date	Level Debt Service
EQUITY NOTE	KY062-A-9004	\$43,155,800.00	Twenty (20) Years from the Closing Date	Level Debt Service

6. The Payment Date referred to in Section 1.01 is the last day of each of February, May, August and November, provided that if such last day is not a Business Day, the first Business Day thereafter.
7. The date of the interim financial statements referred to in Section 2.01B is January 31, 2012.
8. The Subsidiaries of the Borrower referred to in Section 2.01.F are: N/A.
9. The date of the Borrower's balance sheet referred to in Section 2.01.B is December 31, 2010.
10. The Borrower's exact legal name is: Big Rivers Electric Corporation.
11. The Borrower's organizational type is: Cooperative Corporation.
12. The Borrower is organized under the laws of the state/commonwealth of: Kentucky.
13. The Borrower's organizational identification number is: 0004242.

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.N is 201 Third Street, Henderson, KY 42420.
15. The address for notices to the Borrower referred to in Section 8.01 is P.O. Box 24 Henderson, KY 42419-0024, Attention: President and Chief Executive Officer with a copy to: Chief Financial Officer, Fax: 270-827-2558; with a copy to: James M. Miller, Esq., Sullivan, Mountjoy, Stainback & Miller, P.S.C., 100 St. Ann Building, Owensboro, KY 42303.

Schedule 2.01A

LITIGATION

[Attached Hereto]

BIG RIVERS ELECTRIC CORPORATION
LITIGATION SCHEDULE
(as of July 22, 2012)

1. *Eminent Domain Litigation.*

Big Rivers is the plaintiff in several eminent domain proceedings that have been filed to acquire easements for transmission line rights-of-way. The awards of damages against Big Rivers in those cases will be the reduction in the fair market value of the premises over which the transmission line easement is acquired.

2. *Jane Eckert, on her own behalf and on behalf of the Estate of Robert Eckert, Deceased vs. Alcoa, Inc., Big Rivers Electric Corporation, BMW Constructors, Inc., Bristol-Myers Squibb Company, General Electric Company, Industrial Contractors, Inc., Triangle Enterprises, Inc.*, Marion County Superior Court, Civil Division Room No. 2, Cause No. 49D02-9801-MI-0001-359.

This action arises from the 2007 death of a worker, Robert Eckert, from asbestos-related disease diagnosed in 1995. The suit was filed July 2, 2007, in Marion County, Illinois. Big Rivers' liability carrier, Zurich Insurance, is defending this action with a reservation of rights.

3. *Harlen Kennedy, Jr. and Brenda Kennedy, his wife, v. Big Rivers Electric Corporation, et al.*, 3rd Judicial Circuit, Madison County, Illinois, Case No. 11-L-727.

This action was filed by the plaintiffs in 2011 alleging that Harlen Kennedy, Jr. developed lung cancer from exposure to asbestos while working for a contractor at a Big Rivers facility. Big Rivers' liability carrier, Zurich Insurance, is defending this action with a reservation of rights.

4. *Pat Maple, as Representative of the Heirs and Estate of Durwood Maple, Deceased v. Big Rivers Electric Corporation, et al.*, In the Circuit Court of St. Clair County, Illinois, Twentieth Judicial Circuit No. 11-L-59.

This action was filed by the plaintiff in 2011 alleging that Durwood Maple developed and died from lung cancer that resulted from exposure to asbestos while working for a contractor at a Big Rivers facility. Big Rivers' liability carrier, Zurich Insurance, is defending this action with a reservation of rights.

5. *Big Rivers Electric Corporation v. City of Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light,*

Henderson Circuit Court Civil Action No. 09-CI-00693; *City of Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light v. Big Rivers Electric Corporation*, Kentucky Court of Appeals No. 2010-CA-000120-MR; *In the Matter of Arbitration Between: Big Rivers Electric Corporation v. City of Henderson, Kentucky and City of Henderson Utility Commission dba Henderson Municipal Power and Light*, American Arbitration Association, Case No. 52-198-000173-10.

Big Rivers filed suit in Henderson, Kentucky, Circuit Court on July 31, 2009, requesting an order referring to arbitration a dispute with the City of Henderson, Kentucky and City of Henderson Utility Commission (collectively, "*HMP&L*"). The dispute was over the rights of the parties respecting "Excess Henderson Energy," as that term is defined in the contracts by which Big Rivers operates HMP&L's Station Two and receives a portion of the generation output of Station Two. The order of the Henderson Circuit Court directing arbitration was appealed to the Kentucky Court of Appeals, and the contractual dispute was referred to the American Arbitration Association ("AAA").

The AAA arbitration panel issued its award on May 31, 2012, finding, among other things, that "excess energy shall be considered to belong to [HMP&L] which it may offer to third parties subject to Big Rivers first right to purchase such energy" at "the price at which [HMP&L] has a firm offer from a third party." On June 26, 2012, attorneys for the City of Henderson issued a demand to Big Rivers for the amount of \$3,753,013.09, which purportedly represents the amount of fixed costs associated with Excess Henderson Energy from August 2009 to May 30, 2012 minus a credit to Big Rivers for the \$1.50 for each MWh taken (the "*Fixed Costs Demand*"). Big Rivers and its counsel are still analyzing the implications of the award, Big Rivers' options under the circumstances and the recent demand letter from the City of Henderson. In 2009, Western Kentucky Energy Corp. ("*WKEC*") and Big Rivers entered into an Indemnification Agreement relating to the Station Two Power Sales Contract and losses Big Rivers might suffer as a result of an adverse decision of a court or arbitration panel on the excess energy issue. By letter dated July 17, 2012, WKEC took the position that the Fixed Costs Demand does not, at this point, give rise to an indemnifiable claim.

6. *SERC Investigation*

Big Rivers is currently the subject of a non-public investigation initiated in February 2009 by SERC Reliability Corporation ("*SERC*"), one of the North America

Electric Reliability Corporation's ("*NERC's*") regional entities with responsibility for enforcing mandatory reliability standards. The staff from NERC and the Federal Energy Regulatory Commission also participated in the investigation. In June 2011, SERC initiated a formal assessment to determine Big Rivers' compliance relative to eight Reliability Standards Requirements as a result of findings of possible violations by the investigation team. Two of those items have been dismissed. The assessment is still ongoing.

7. *Secretary of the Labor Cabinet Commonwealth of Kentucky v. Big Rivers Electric Corporation*, KOSHRC Docket No. 4833-11, Administrative Action No. 11-KOSH-0290.

This complaint was filed by the plaintiff in 2011, subsequent to Big Rivers having contested a citation issued by KOSHA. The administrative hearing officer has granted extensions requested by KOSHA counsel to allow time for settlement negotiations, which have yet to take place. The penalties assessed with the citation total \$7,500.

8. *Oxford Mining - Kentucky, LLC v. Big Rivers Electric Corporation*, Ohio Circuit Court Civil Action No. 12-CI-00160.

Oxford Mining Company - Kentucky, LLC ("*Oxford*") filed this civil action against Big Rivers on April 26, 2012, alleging that Big Rivers breached a coal supply agreement with Oxford by terminating that agreement on March 2, 2012. Oxford alleges that it has suffered damage, including lost profits, as a result of the alleged wrongful termination of the Agreement. Big Rivers has asserted a counterclaim against Oxford based on damages Big Rivers suffered as the result of delivery to Big Rivers' generating stations by Oxford of coal that failed to meet contract specifications. This litigation is in its early stages.

9. *Innovatio IP Ventures, LLC Patent Infringement Claim*

Big Rivers received a letter from Innovatio IP Ventures, LLC ("*Innovatio*") on May 16, 2012, asserting that Big Rivers has infringed upon certain patents owned by Innovatio. Big Rivers' information at this point is that Innovatio is involved in a nationwide letter writing campaign asserting its patents against certain wireless local area network ("*WLAN*") products. Innovatio's letters are directed to end users of WLAN products, which Innovatio asserts infringe upon patents it owns. In its letter, Innovatio demands that the end user purchase licenses to use Innovatio patents, or face a patent infringement lawsuit. Innovatio did not assert a claim against the manufacturers of the products that it claims infringe upon its patents; only the end users.

The Innovatio letters initially targeted entities such as coffee shop, grocery

and hotel chains that offer wireless internet access through WLAN products. In the last year, electric cooperatives around the nation have been receiving the letters. Innovatio has filed claims against several WLAN end user defendants in federal courts in Illinois, Nevada and Florida. Innovatio was subsequently sued in federal court in Delaware by Cisco Systems, Inc. and Motorola Solutions, Inc., companies that control a substantial share of the WLAN product market. They seek, among other things, a declaratory judgment voiding the Innovatio patents.

10. *The City of Henderson Utility Commission v. Michael C. Donta, Executive Director of the Department of Workplace Standards, Big Rivers Electric Corporation, et al*, Henderson Circuit Court, Civil Action No. 10-CI-898.

The Kentucky Labor Cabinet served a Notice of Violation on Henderson Municipal Power & Light (“HMP&L”) on April 27, 2010, alleging that HMP&L had violated prevailing wage laws by failing to stipulate in bid proposals that prevailing hourly rate of wages must be paid to all laborers, workmen, and mechanics performing work on the Station Two spring 2010 scheduled outage. This is a declaratory judgment action, which asks the court to decide whether the value of the individual projects related to the outage work on a generating station must be combined for purposes of determining coverage under prevailing wage laws in Kentucky. Big Rivers was joined in, and has an interest in this action because it operates the HMP&L Station Two, purchases a majority of the output of Station Two, and is responsible for the costs of Station Two generally proportionate to its capacity take. This case is set for trial in December of 2012.

11. *Notice and Application of Big Rivers Electric Corporation for a General Adjustment in Rates*, PSC Case No. 2011-00036.

Big Rivers filed a notice and application for a general adjustment in rates with the Public Service Commission (“Commission”) on March 1, 2011. The Commission entered its final order on November 17, 2011. After several appeals and procedural events, this case is back before the Commission for a rehearing on four issues raised by Big Rivers, and three issues raised by an intervenor, Kentucky Industrial Utility Customers, Inc.

12. *In the Matter of: Application of Big Rivers Electric Corporation for Approval of its 2012 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account*, P.S.C. Case No. 2012-00063.

Big Rivers filed an application with the Commission on April 2, 2012, seeking approval of its 2012 Environmental Compliance Plan ("Plan"), certificates of public convenience and necessity for the capital projects required to implement the plan and related approvals, including an amendment to its environmental surcharge that would allow Big Rivers to recover the incremental costs of its Plan. The Commission has granted intervention to the Kentucky Attorney General, Kentucky Industrial Utility Customers, Inc., the Sierra Club and Ben Taylor. By law, the Commission must issue its decision on the issues before it by October 2, 2012.

Schedule 2.01C

DISCLOSURE

1. Big Rivers Electric Corporation Disclosure Statement dated July 12, 2012.

Schedule 2.01D

ENVIRONMENTAL MATERS

None.

Schedule 2.01P

**MEMBER WHOLESALE POWER CONTRACTS
AND
MATERIAL DIRECT SERVE CONTRACTS**

[Attached Hereto]

BIG RIVERS ELECTRIC CORPORATION
MEMBER WHOLESALE POWER CONTRACTS AND
MATERIAL DIRECT SERVE CONTRACTS
(as of July 27, 2012)

1. Wholesale Power Contract made as of October 14, 1977, between the Company and Jackson Purchase Rural Electric Cooperative Corporation, as amended.
2. Wholesale Power Contract made as of June 11, 1962 between the Company and Meade County Rural Electric Cooperative Corporation, as amended.
3. Wholesale Power Contract made as of June 11, 1962 between the Company and Kenergy Corp. (successor by consolidation to Henderson Union Electric Cooperative Corp.), as amended.
4. Wholesale Power Contract made as of June 11, 1962 between the Company and Kenergy Corp. (successor by consolidation to Green River Electric Corporation), as amended.
5. Agreement dated October 12, 1974 by and between the Company and Kenergy Corp. (successor by consolidation to Henderson Union Electric Cooperative Corp.), as amended.
6. Agreement dated October 12, 1974 by and between the Company and Kenergy Corp. (successor by consolidation to Green River Electric Corporation) as amended and restated by an Agreement dated February 16, 1988, as amended.
7. Agreements dated as of July 15, 1998 between the Company and Kenergy Corp. (successor by consolidation to Green River Electric Corporation and Henderson Union Electric Cooperative Corp.).
8. Wholesale Electric Service Agreement (Alcan) dated July 16, 2009 by and between the Company and Kenergy Corp.
9. Wholesale Electric Service Agreement (Century) dated as of July 16, 2009 by and between the Company and Kenergy Corp.
10. Amendment No. 1 to Wholesale Electric Service Agreement (Alcan) dated as of September 20, 2011, between Big Rivers Electric Corporation and Kenergy Corp.
11. Amendment No. 1 to Wholesale Electric Service Agreement (Century) dated as of September 20, 2011, between Big Rivers Electric Corporation and Kenergy Corp.]
12. Amendment to Wholesale Power Contracts dated August 1, 2009, between Big Rivers Electric Corporation and Kenergy Corp. Amending the Wholesale Power Contracts made as of June 11, 1962.

13. Amendment No. 4 dated as of August 1, 2009, to Wholesale Power Contract dated June 11, 1962 between Big Rivers Electric Corporation and Meade Country Rural Electric Cooperative Corporation.
14. Amendment No. 3 dated as of August 1, 2009, to Wholesale Power Contract dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Energy Corporation.
15. Second Amended and Restated Wholesale Power Agreement between Big Rivers Electric Corporation and Kenergy Corp. dated as of January 21, 2011 (Domtar Paper Company, LLC).
16. Letter Agreement dated December 9, 2008, between Big Rivers Electric Corporation and Kenergy Corp. (Kimberly-Clark Corporation)
17. Letter Agreement dated May 20, 2011, between Big Rivers Electric Corporation and Kenergy Corp. (Aleris Rolled Products, Inc)

SECURED CREDIT AGREEMENT

BETWEEN

BIG RIVERS ELECTRIC CORPORATION
AS BORROWER,

THE SEVERAL LENDERS FROM TIME TO TIME PARTIES
HERETO,

AND

COBANK, ACB,
AS ADMINISTRATIVE AGENT, LEAD ARRANGER AND BOOK RUNNER,

DATED AS OF JULY 24, 2012

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1 DEFINITIONS AND ACCOUNTING TERMS.....	1
SECTION 1.01 Definitions.....	1
SECTION 1.02 Rules of Interpretation.....	1
ARTICLE 2 LOAN AMOUNT AND TERM	1
SECTION 2.01 Term Loan Commitment.....	1
SECTION 2.02 Procedure for Borrowing.....	1
SECTION 2.03 Method of Payment	2
SECTION 2.04 Repayment of the Loan	2
SECTION 2.05 Voluntary Prepayments	3
SECTION 2.06 Mandatory Prepayments.....	3
SECTION 2.07 Prepayment Surcharge.....	3
SECTION 2.08 Interest Rates and Payment Dates	3
SECTION 2.09 Computation of Interest.....	4
SECTION 2.10 Fees	4
SECTION 2.11 Security	4
SECTION 2.12 Pro Rata Treatment and Payments	4
SECTION 2.13 Sharing of Payments.....	5
ARTICLE 3 ADDITIONAL PROVISIONS REGARDING THE LOAN	5
SECTION 3.01 Additional Loan Provisions.....	5
SECTION 3.02 Illegality	6
SECTION 3.03 Compensation.....	7
SECTION 3.04 Taxes	7
SECTION 3.05 Change of Lending Office.....	10
SECTION 3.06 Replacement of Lender or Reduction of Commitments.....	10
ARTICLE 4 CONDITIONS PRECEDENT	11
SECTION 4.01 Conditions to Closing.....	11
ARTICLE 5 REPRESENTATIONS AND WARRANTIES	13
SECTION 5.01 Existence	13
SECTION 5.02 Compliance with Law, Member Wholesale Power Contracts, Material Direct Serve Contracts, and Organizational Documents	14
SECTION 5.03 Consents and Approvals.....	14
SECTION 5.04 Taxes	14
SECTION 5.05 Corporate Power; Authorization; Enforceable Obligations	14
SECTION 5.06 No Conflict.....	15
SECTION 5.07 ERISA	15
SECTION 5.08 No Change.....	15
SECTION 5.09 No Material Litigation.....	15
SECTION 5.10 Ownership of Property; Liens	15
SECTION 5.11 Federal Regulations.....	15
SECTION 5.12 Investment Company Act.....	15
SECTION 5.13 Subsidiaries, Affiliates and Members	15
SECTION 5.14 Solvency	15

SECTION 5.15	Environmental Matters.....	16
SECTION 5.16	Accuracy of Information, etc.....	16
SECTION 5.17	Member Wholesale Power Contracts; Material Direct Serve Contracts.....	16
SECTION 5.18	Insurance	16
SECTION 5.19	Franchises, Licenses, Etc	16
SECTION 5.20	Indebtedness.....	17
SECTION 5.21	Certain Indenture Items.....	17
ARTICLE 6 AFFIRMATIVE COVENANTS.....		17
SECTION 6.01	Financial Reports.....	17
SECTION 6.02	Notices.....	18
SECTION 6.03	Compliance with Laws, Member Wholesale Power Contracts, Direct Serve Contracts, and Indenture	19
SECTION 6.04	Inspection	19
SECTION 6.05	Use of Proceeds.....	19
SECTION 6.06	CoBank Equity	19
SECTION 6.07	Further Assurances.....	20
ARTICLE 7 NEGATIVE COVENANTS		20
SECTION 7.01	Liens.....	20
SECTION 7.02	Restricted Payments	20
SECTION 7.03	Accounting Changes	20
SECTION 7.04	Member Wholesale Power Contracts, Material Direct Serve Contracts and Organizational Documents.....	20
SECTION 7.05	Negative Pledge and Prohibition Clauses	21
ARTICLE 8 FINANCIAL COVENANT		21
ARTICLE 9 EVENTS OF DEFAULT		21
SECTION 9.01	Payment.....	21
SECTION 9.02	Misrepresentation.....	21
SECTION 9.03	Covenant Violations.....	21
SECTION 9.04	Other Violations	21
SECTION 9.05	CoBank Indebtedness.....	21
SECTION 9.06	Member Wholesale Power Contracts and Material Direct Serve Contracts.....	22
SECTION 9.07	Invalidity of Loan Documents.....	22
SECTION 9.08	Indenture.....	22
ARTICLE 10 3 REMEDIES UPON DEFAULT		22
SECTION 10.01	Remedies	22
SECTION 10.02	Allocation of Payments after Acceleration.....	23
ARTICLE 11 ADMINISTRATIVE AGENT		24
SECTION 11.01	Appointment.....	24
SECTION 11.02	Delegation of Duties.....	24
SECTION 11.03	Exculpatory Provisions	24
SECTION 11.04	Reliance by Administrative Agent	25
SECTION 11.05	Notice of Default.....	25

SECTION 11.06	Non-Reliance on Administrative Agent and Other Lenders	26
SECTION 11.07	Indemnification	26
SECTION 11.08	Right as a Lender.....	26
SECTION 11.09	Resignation of Administrative Agent.....	26
SECTION 11.10	No Other Duties, etc.....	27
ARTICLE 12 MISCELLANEOUS		27
SECTION 12.01	Amendments and Waivers.....	27
SECTION 12.02	Notices Generally	28
SECTION 12.03	No Waiver; Cumulative Remedies.....	30
SECTION 12.04	Survival of Representations and Warranties	30
SECTION 12.05	Costs and Expenses; Indemnification.....	30
SECTION 12.06	Successors and Assigns; Participations and Assignments.....	31
SECTION 12.07	Set off.....	35
SECTION 12.08	Counterparts	35
SECTION 12.09	Severability.....	35
SECTION 12.10	Complete Agreement.....	36
SECTION 12.11	Applicable Law	36
SECTION 12.12	Submission to Jurisdiction; Waivers	36
SECTION 12.13	Acknowledgments.....	36
SECTION 12.14	Accounting Changes	37
SECTION 12.15	WAIVERS OF JURY TRIAL.....	37
SECTION 12.16	USA PATRIOT ACT	37
SECTION 12.17	Confidentiality.....	37

EXHIBITS

EXHIBIT A	Definitions
EXHIBIT B	Form of Note
EXHIBIT C	Principal Repayment Schedule
EXHIBIT D-1	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT D-2	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT D-3	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT D-4	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT E	Form of Secretary's Certificate
EXHIBIT F	Form of Solvency Certificate
EXHIBIT G	Form of Compliance Certificate
EXHIBIT H	Form of Assignment and Assumption
EXHIBIT I	Lenders' Commitments
EXHIBIT J	Form of Notice of Borrowing

SCHEDULES

Schedule 4.01(G)	Litigation
Schedule 5.03	Consents
Schedule 5.13	Subsidiaries, Affiliates and Members
Schedule 5.15	Environmental Matters
Schedule 5.17	Member Wholesale Power Contracts and Direct Serve Contracts
Schedule 5.20	Material Indebtedness
Schedule 12.06	Voting Participants

SECURED CREDIT AGREEMENT

This Secured Credit Agreement (this "Agreement") dated as of July 24, 2012, is entered into by and between Big Rivers Electric Corporation, a Kentucky cooperative corporation (the "Borrower"), the several financial institutions or entities from time to time parties to this Agreement (the "Lenders") and CoBank, ACB, a federally chartered instrumentality of the United States ("CoBank") as administrative agent (in such capacity, the "Administrative Agent"), lead arranger, and book runner.

BACKGROUND

WHEREAS, the Lenders have agreed to extend a term loan to the Borrower, in an aggregate amount not to exceed \$235,000,000, for the purposes, and upon the terms and conditions, set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows.

ARTICLE 1 DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Definitions. Capitalized terms used in this Agreement and defined in Exhibit A hereto shall have the meanings set forth in that Exhibit.

SECTION 1.02 Rules of Interpretation. The rules of interpretation set forth in Exhibit A shall apply to this Agreement.

ARTICLE 2 LOAN AMOUNT AND TERM

SECTION 2.01 Term Loan Commitment.

(a) Subject to the terms and conditions hereof, each Lender severally agrees to make available to the Borrower on the Closing Date an amount in Dollars not to exceed its Commitment and, when taken together with all other amounts made available by the other Lenders on the Closing Date, not to exceed the total Commitment (the "Loan").

(b) The Borrower's obligation to repay the Loan shall be evidenced by one or more notes, each in substantially the form of Exhibit B hereto, duly executed, dated the Closing Date, and each payable to a Lender in an aggregate principal amount of such Lender's Loan (each a "Note" and together, the "Notes").

SECTION 2.02 Procedure for Borrowing.

(a) The Borrower shall give the Administrative Agent an irrevocable Notice of Borrowing (which notice must be received by the Administrative Agent prior to 10:00 AM, Denver, Colorado time, at least three (3) Banking Days prior to the Closing Date).

(b) Upon receipt of a Notice of Borrowing from the Borrower, the Administrative Agent will promptly notify each Lender thereof. Each Lender will make an amount equal to its Commitment available to the Administrative Agent, in immediately available funds, for the account of the Borrower at the Funding Office prior to 11:00 AM Denver, Colorado time on the Closing Date. The Loan will then be made available (after the Administrative Agent has received the same from each Lender

as provided for in the preceding sentence) to the Borrower by the Administrative Agent by no later than 1:00 PM Denver, Colorado time by crediting the Borrower's account (Account No. 00050949) at CoBank, ACB (ABA Routing No. 307088754), or to such other account as the Borrower shall direct the Administrative Agent in writing, by wire transfer of immediately available funds.

SECTION 2.03 Method of Payment. The Borrower shall make all payments to the Administrative Agent under this Agreement and all other Loan Documents by wire transfer of immediately available funds, by check, or, if specified by separate agreement between the Borrower and the Administrative Agent, by automated clearing house or other similar cash handling processes. Wire transfers shall be made to the following account (or to such other account as the Lender may direct by notice):

CoBank, ACB, as Administrative Agent
Bank Location: Englewood, Colorado
ABA Routing No. 307088754
Short Name: CoBank
Beneficiary: Big Rivers Electric Corporation
Account Number: 00050949
Attention: agencybank@cobank.com

Checks shall be mailed to CoBank, Department 167, Denver, Colorado 80291-0167 or to such other place as the Administrative Agent may direct by notice from time to time (the "Funding Office").

SECTION 2.04 Repayment of the Loan.

(a) The Borrower hereby unconditionally promises to repay the Loan in accordance with the repayment schedule set forth in Exhibit C (or on such earlier date on which the Loan becomes due and payable pursuant to Article 10). Amounts repaid pursuant to this Agreement may not be re-borrowed. Any unpaid principal amounts of the Loan outstanding as of the Maturity Date shall be due and payable on the Maturity Date. The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loan outstanding from the Closing Date until payment in full thereof at the rate per annum, and on the dates, set forth in Section 2.08.

(b) The Administrative Agent, on behalf of the Borrower, shall maintain the Register in accordance with Section 12.06(c), in which shall be recorded (i) the amount of the Loan made hereunder, any Note evidencing the Loan, (ii) the amount of any principal, interest and fees, as applicable, due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower.

(c) The entries made in the Register shall, to the extent permitted by applicable Requirement of Law, be presumed correct absent manifest error as to the existence and amounts of the Obligations of the Borrower therein recorded; provided, that the failure of the Administrative Agent to maintain the Register, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loan or any other obligation in accordance with the terms of this Agreement.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest or otherwise, shall be made without setoff, deduction or counterclaim to the extent permitted by applicable Requirements of Law and shall be made prior to 12:00 PM Denver, Colorado time, on the due date thereof to the Administrative Office at the Funding Office,

and funds received after such time shall be credited on the next Banking Day. If any payment hereunder becomes due and payable on a day other than a Banking Day, such payment shall be extended to the next succeeding Banking Day. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension. Credit for any payment made by check will not be given until the later of the next Banking Day after receipt of the check or the day on which the Administrative Agent receives immediately available funds.

SECTION 2.05 Voluntary Prepayments.

Subject to Section 2.07 and Section 3.03, the Borrower may at any time and from time to time prepay the Loan in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent no later than 11:00 AM, Denver, Colorado time on five (5) Banking Days prior thereto, which notice shall specify (i) the amount of the Loan to be prepaid, (ii) the date (which shall be a Banking Day) of prepayment, and (iii) whether such payments should be applied ratably or in inverse order of maturity, provided that the Borrower shall also pay any amounts owing pursuant to Section 3.03. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein together with accrued interest to such date on the amount prepaid. Partial prepayments of the Loan shall be in an aggregate principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof. Any payments of the Loan made pursuant to this Section 2.05 may not be reborrowed.

SECTION 2.06 Mandatory Prepayments.

Subject to Section 2.07 and Section 3.03, the Borrower shall prepay the Loan in full immediately upon the occurrence of a Change of Control, without the need for any demand or notification by any Person.

- (a) Any payments made under this Section 2.06 shall be applied in inverse order of maturity.
- (b) Any payments made under this Section 2.06 may not be reborrowed.

SECTION 2.07 Prepayment Surcharge. Prepayments of the Loan under Section 2.05 and Section 2.06 (whether such prepayment is the result of a voluntary prepayment, acceleration or otherwise) are subject to a surcharge (the "Prepayment Surcharge") on any such prepayment equal to a per annum rate of one-half (1/2) of one percent (1%) on the principal balance of the Loan being prepaid (calculated through the Maturity Date). Such Prepayment Surcharge shall be in addition to any compensation payable pursuant to Section 3.03 hereof.

SECTION 2.08 Interest Rates and Payment Dates.

- (a) The Loan shall bear interest at a rate per annum equal to the Quoted Fixed Rate.
- (b) Notwithstanding the foregoing, if an Event of Default has occurred and is continuing, interest shall accrue at a rate per annum on Loan, fees and all other amounts due and payable pursuant to this Agreement at a rate per annum equal to the Quoted Fixed Rate plus two percent (2%) (the "Default Rate").
- (c) Interest shall be payable by the Borrower in arrears on each Interest Payment Date; provided that interest accruing pursuant to Section 2.08(b) shall be payable from time to time on demand.

SECTION 2.09 Computation of Interest. Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed.

SECTION 2.10 Fees. The Borrower agrees to pay such fees as provided in the Fee Letter.

SECTION 2.11 Security.

(a) Each party hereto acknowledges that CoBank has a statutory first Lien pursuant to the Farm Credit Act of 1971 (as amended from time to time) on all CoBank Equities that the Borrower may now own or hereafter acquire, which statutory Lien shall be for CoBank's sole and exclusive benefit. The CoBank Equities shall not constitute security for the obligations arising hereunder due to any other Person. To the extent that any of the Loan Documents create a Lien on the CoBank Equities or on patronage accrued by CoBank for the account of the Borrower (including, in each case, proceeds thereof except to the extent any such proceeds not themselves constituting CoBank Equities are part of the Trust Estate), such Lien shall be for CoBank's sole and exclusive benefit. Neither the CoBank Equities nor any accrued patronage shall be offset against such obligations except that, in the event of an Event of Default, CoBank may elect to apply the cash portion of any patronage distribution or retirement of equity to amounts due under this Agreement. The Borrower acknowledges that any corresponding tax liability associated with such application is the sole responsibility of the Borrower. CoBank shall have no obligation to retire the CoBank Equities upon any Event of Default, Default or any other default by the Borrower or any other Person, or at any other time, either for application to such obligations or otherwise.

(b) Each of the Notes at all times shall be secured under the Company's Indenture, shared equally and ratably with all other Outstanding Obligations (as defined in the Indenture) and shall be authenticated by the Trustee pursuant thereto.

SECTION 2.12 Pro Rata Treatment and Payments.

(a) Each payment (including prepayments) to be made by the Borrower on account of principal of and interest on the Loan shall be made pro rata according to the respective Outstanding Amounts of the Loan then held by the Lenders.

(b) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the relevant Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three (3) Banking Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each relevant Lender to which any amount was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

(c) If any Lender makes available to the Administrative Agent funds for the Loan to be made by such Lender, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the Loan set forth in Sections 2.01 or 4.01 are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as

received from such Lender) to such Lender, without interest, without prejudice to such Lender's rights against the Borrower under Section 3.03

(d) The obligations of the Lenders hereunder to make available its Commitment for the Loan are several and not joint. The failure of any Lender to make available its Commitment on the Closing Date hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Commitment available on the Closing Date.

SECTION 2.13 Sharing of Payments. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on the Loan or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of the Loan and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the portion of the Loan held by the other Lenders and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective amounts of the Loan and other amounts owing them; provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this paragraph shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement, or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in the Loan to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this paragraph shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation. Notwithstanding anything in this Section 2.13 to the contrary, CoBank may exercise its rights against any CoBank Equities held by the Borrower without complying with this Section 2.13.

ARTICLE 3 ADDITIONAL PROVISIONS REGARDING THE LOAN

SECTION 3.01 Additional Loan Provisions.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, and (C) Connection

Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender any other condition, cost or expense (other than Taxes) affecting this Agreement or the Loan made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining the Loan or of maintaining its obligation to make the Loan, or to increase the cost to such Lender or such other Recipient, or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or other Recipient, the Borrower will pay to such Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitment of such Lender or the amount of the Loan made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company as specified in paragraph (a) or (b) of this Section 3.01 and delivered to the Borrower, shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section 3.01 shall not constitute a waiver of such Lender's right to demand such compensation; provided, that, the Borrower shall not be required to compensate a Lender pursuant to this Section 3.01 for any increased costs incurred or reductions suffered more than six (6) months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six (6) month period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 3.02 Illegality

Notwithstanding any other provision of this Agreement, in the event that on or after the date hereof any Change in Law shall make it unlawful for any Lender to make or maintain the Loan, then such Lender shall promptly notify the Borrower thereof (with a copy to the Administrative Agent), following which, if such law shall so mandate, an amount of the outstanding principal of the Loan held by such Lender shall be prepaid by the Borrower, together with accrued and unpaid interest thereof and all other amounts payable by the Borrower under this Agreement (including, without limitation, amounts owing pursuant to Section 3.03), on or before such date as shall be mandated by such law.

SECTION 3.03 Compensation.

The Borrower promises to indemnify the Administrative Agent and the Lenders and to hold the Administrative Agent and the Lenders harmless from any loss or expense which the Administrative Agent or the Lenders may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of the Loan after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of the Loan after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making of any prepayment of the Loan, (d) the failure to repay the Loan when required by the terms of this Agreement, and (e) receiving payments pursuant to Section 3.06(a)(2) with respect to any assignments. Such indemnification may include an amount equal to (i) an amount of interest calculated at the Quoted Fixed Rate which would have accrued on the amount in question, for the period from the date of such prepayment or of such failure to borrow or repay to the last day of the Maturity Date minus (ii) the amount of interest (as reasonably determined by the Administrative Agent) which would have accrued to the Lenders on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank market. The Borrower shall pay to the Administrative Agent for the benefit of the Lenders such compensation as may be due under this Section 3.03 within ten (10) days after receipt of a certificate of the Administrative Agent claiming such compensation and identifying with reasonable specificity the basis for and amount thereof. Each determination by Administrative Agent of amounts owing under this Section 3.03 shall, absent manifest error, be conclusive and binding on the parties hereto. This Section 3.03 shall survive the termination of this Agreement, the other Loan Documents, and the Indenture and the payment of the Loan and all other amounts payable hereunder.

SECTION 3.04 Taxes.

(a) Payment Free of Taxes. Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 3.04) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.04) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.06 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (d).

(e) Evidence of Payments. As soon as practicable and in any event within ten (10) Banking Days after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 3.04, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 3.04(f)(ii)(a), (ii)(b) and (ii)(d) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Borrower,

(a) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(b) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this

Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable;

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty:

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit D-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed originals of IRS Form W-8BEN;

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-2 or Exhibit D-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-4 on behalf of each such direct and indirect partner;

(c) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(d) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (d), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.04 (including by the payment of additional amounts pursuant to this Section 3.04), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Survival. Each party's obligations under this Section 3.04 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

SECTION 3.05 Change of Lending Office. If any Lender requests compensation under Sections 3.01, 3.02 or 3.03, or requires the Borrower to pay additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.04, then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking the Loan hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01, 3.02, 3.03 or Section 3.04, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

SECTION 3.06 Replacement of Lender or Reduction of Commitments.

(a) If any Lender requests compensation under Sections 3.01, 3.02 or 3.03, or if the Borrower is required to pay additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.04 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 3.05 (each such Lender a "Specified Lender"), or if any Lender is Non-Consenting Lender, then the Borrower may, so long as no Default or Event of Default shall have occurred and be continuing, at its sole expense and effort, upon notice to such Lender and the Administrative Agent require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an

assignee that shall assume such obligations (which assignee may be another Lender, if such Lender accepts such assignment); provided, that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 12.06;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loan, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Sections 3.02 or 3.03 or payments required to be made pursuant to Section 3.04, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

(b) Borrower may not exercise its rights under this Section 3.06 if, as a result of a waiver by a Lender, the circumstances giving rise to the Borrower's rights under this Section 3.06 cease to apply or if a Default or Event of Default has occurred and is continuing.

ARTICLE 4 CONDITIONS PRECEDENT

SECTION 4.01 Conditions to Closing. The obligation of the Lenders to enter into this Agreement and to provide the Loan to be made on the Closing Date is subject to the satisfaction (or waiver) of the following conditions precedent:

(a) Loan Documents. The Administrative Agent shall have receive for delivery to each Lender (i) this Agreement, executed and delivered by the Borrower, and (ii) each of the Notes dated as of the Closing Date and authenticated by the Trustee indicating that the Notes have been authenticated pursuant to the Indenture and are secured thereunder.

(b) Legal Opinions. The Administrative Agent shall have received for delivery to each Lender an executed legal opinion of (i) Sullivan, Mountjoy, Stainback & Miller, P.S.C., counsel to the Borrower, and (ii) Orrick, Herrington & Sutcliffe LLP, special New York counsel to the Borrower, both as reasonably satisfactory to the Administrative Agent.

(c) Secretary's Certificate. The Administrative Agent shall have received for delivery to each Lender a certificate of the Borrower, dated as of the Closing Date, substantially in the form of Exhibit E, with appropriate insertions and attachments.

(d) Closing Certificate. The Administrative Agent shall have received for delivery to each Lender a certificate dated as of the Closing Date signed by a Responsible Officer of the Borrower certifying that (i) other than as set forth in the Disclosure Statement dated July 12, 2012, since December 31, 2011, there has not occurred any event, circumstance, development, change or effect that has had or

would reasonably be expected to result in a Material Adverse Effect, (ii) all facts or information represented to the Administrative Agent are correct except as would not reasonably be expected to have a Material Adverse Effect, and (iii) the representations and warranties in Article 5 are true and accurate in all material respects, except to the extent any representation or warranty is already qualified by materiality or Material Adverse Effect, in which case such representation or warranty is true and correct in all respects.

(e) Financial Statements. The Administrative Agent shall have received for delivery to each Lender and be satisfied with (i) the audited financial statements of the Borrower for fiscal year ending December 31, 2011 (ii) unaudited financial statements of the Borrower for each quarterly period ended (a) after December 31, 2011 and (b) at least 45 days prior to the Closing Date, and (iii) such other financial information, including without limitation financial projections, as the Administrative Agent may reasonably request.

(f) Fees and Other Charges. The Administrative Agent, for its own benefit and the benefit of the Lenders, shall have received all fees or other charges provided for herein and in the Fee Letter to be paid on or prior to the Closing Date.

(g) Litigation. Except as set forth in Schedule 4.01(g), there shall be no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority pending that, singly or in the aggregate, materially impairs the transactions contemplated by this Agreement or that would reasonably be expected to have a Material Adverse Effect.

(h) Financial Obligations. The Borrower shall be in compliance with all agreements governing Material Indebtedness.

(i) Member Wholesale Power Contracts; Material Direct Serve Contracts. The Administrative Agent shall have received true and correct copies of the Member Wholesale Power Contracts and Material Direct Serve Contracts listed on Schedule 5.17, including all material amendments, supplements or modifications thereto.

(j) Solvency Certificate. The Administrative Agent shall have received for delivery to each Lender a solvency certificate signed by the chief financial officer or equivalent officer on behalf of the Borrower, substantially in the form of Exhibit F.

(k) USA Patriot Act. The Administrative Agent shall have received for delivery to each Lender from the Borrower documentation and other information required by the Lenders' regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA Patriot Act.

(l) Material Adverse Effect. Other than as set forth in the Disclosure Statement dated July 12, 2012, since December 31, 2011, there shall not have occurred any event, circumstance, development, change or effect that has had or would reasonably be expected to result in a Material Adverse effect.

(m) Flood Insurance. The Administrative Agent shall have been permitted to conduct any diligence it deems necessary with respect to any real property owned or used by the Borrower which may be subject to any Requirement of Law pertaining to flood insurance and have received for delivery to each Lender proof of flood insurance in an amount satisfactory to the Administrative Agent and otherwise sufficient to comply with any Requirements of Law.

(n) Indenture. (i) The Administrative Agent shall have received for delivery to each Lender a correct and complete copy of the Indenture and all amendments and supplements thereto, including that certain Supplemental Indenture, executed and delivered by the Trustee and the Borrower, dated on or before the Closing Date (the “Supplemental Indenture”), and be reasonably satisfied therewith, and (ii) the Borrower shall have completed any authentication requirements under the terms of the Indenture and taken the necessary steps to ensure the Notes are, to the satisfaction of the Administrative Agent in its sole discretion, secured thereunder (the “Collateral Requirements”).

(o) Member Wholesale Power Contracts; Material Direct Serve Contracts. (i) No Member shall have terminated or contested in writing the validity or enforceability of its Member Wholesale Power Contract or, after any applicable grace period, failed to make any payment thereunder and (ii) no Person party to a Material Direct Serve Contract shall have terminated or contested in writing the validity or enforceability of its Material Direct Serve Contract or, after any applicable grace period, failed to make any payment thereunder.

(p) CFC Loan Agreement. The Administrative Agent shall have received, and be reasonably satisfied with, evidence that the CFC Loan Agreement has been or will be consummated substantially simultaneous with this Agreement.

(q) RUS Payment. The Administrative Agent shall have received, and be reasonably satisfied with, evidence that the Borrower has or will payoff indebtedness owed to RUS in an amount equal to \$84,603,000 substantially simultaneous with entering into this Agreement.

(r) Additional Documents. The Administrative Agent shall have received such additional documents as the Administrative Agent may reasonably request.

(s) Written Request. The Administrative Agent shall have a Notice of Borrowing as required pursuant to the terms hereof.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loan, the Borrower represents and warrants to the Administrative Agent and the Lenders, which representations and warranties shall be deemed made on the Closing Date hereunder that:

SECTION 5.01 Existence. The Borrower (i) is duly organized (or incorporated), validly existing and in good standing under the laws of the jurisdiction of its organization or incorporation; (ii) has the corporate or organizational power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect; and (iii) is duly qualified and in good standing (where such concept is relevant) under the Requirements of Law of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification except, in each case, to the extent that the failure to be so qualified or in good standing (where such concept is relevant) would not reasonably be expected to have a Material Adverse Effect.

SECTION 5.02 Compliance with Law, Member Wholesale Power Contracts, Material Direct Serve Contracts, and Organizational Documents. The Borrower is in compliance with (i) all Requirements of Law except to the extent that any such failure to comply therewith would not reasonably be expected to have a Material Adverse Effect, (ii) all anti-corruption and anti-money laundering laws, rules, and regulations, including, without limitation, the USA Patriot Act and all other anti-terrorism financing laws, rules, and regulations, (iii) the Member Wholesale Power Contracts and Material Direct Serve Contracts except to the extent that any such failure to comply therewith would not reasonably be expected to have a Material Adverse Effect, and (iv) its Organizational Documents.

SECTION 5.03 Consents and Approvals. No consent, permission, authorization, filings, notices, order or license of any Governmental Authority or of any party to any agreement to which the Borrower is a party or by which it or any of its Property may be bound or affected, is necessary in connection with the execution, delivery, performance or enforcement of any Loan Document, except consents, permission, authorizations, filings, notices, orders or licenses described in Schedule 5.03¹, which have been obtained and are in full force or the failure of which to obtain would not reasonably be expected to have a Material Adverse Effect.

SECTION 5.04 Taxes. The Borrower (i) has filed or caused to be filed all Federal, state, provincial and other tax returns that are required to be filed and (ii) has paid all Taxes that are due and payable and all other Taxes, fees, assessments or other governmental charges or levies imposed on it or any of its Property by any Governmental Authority except in each case to the extent that (i) the failure to do so would not reasonably be expected to result in a Material Adverse Effect or (ii) where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves required in conformity with GAAP with respect thereto have been provided on the books of the Borrower.

SECTION 5.05 Corporate Power; Authorization; Enforceable Obligations.

(a) The Borrower has the corporate or organizational power and authority to execute, deliver and perform the Loan Documents to which it is a party, to borrow the Loan hereunder, and to fulfill the Collateral Requirements.

(b) The Borrower has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party, to authorize the extensions of credit on the terms and conditions of this Agreement, and to fulfill the Collateral Requirements.

(c) Each Loan Document has been duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Law affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and the implied covenants of good faith and fair dealing.

¹ NTD: Schedule 5.03 should list any filings or other actions that are required to be taken pursuant to the Indenture that cannot be completed prior to the Closing Date.

SECTION 5.06 No Conflict. The execution, delivery and performance of this Agreement and the other Loan Documents by the Borrower, the borrowings hereunder and the use of the proceeds thereof do not and will not (a) violate the Organizational Documents of the Borrower, (b) except as would not reasonably be expected to have a Material Adverse Effect, violate any Requirements of Law, (c) result in, or require, the creation or imposition of any Lien on any of its respective properties or revenues pursuant to any Requirements of Law or any such Contractual Obligation (other than the Liens permitted by Section 7.01), or (d) result in a breach of, or constitute a default under, the Indenture or any other indenture, loan agreement, credit agreement, or other material agreement to which the Borrower is a party or by which it or any of its necessary properties are bound.

SECTION 5.07 ERISA. All plans (“ERISA Plans”) of a type described in Section 3(3) of ERISA in respect of which the Borrower is an “Employer”, as defined in Section 3(5) of ERISA, are, to the best knowledge of the Borrower, in substantial compliance with ERISA, and none of such ERISA Plans is insolvent or in reorganization, or has a material accumulated or waived funding deficiency within the meaning of Section 412 of the Internal Revenue Code, except to the extent that any such non-compliance, insolvency, reorganization or deficiency would not reasonably be expected to have a Material Adverse Effect. The Borrower has not incurred any material liability (including any material contingent liability) to or on account of any such ERISA Plan pursuant to Sections 4062, 4063, 4064, 4201 or 4204 of ERISA. No proceedings have been instituted to terminate any such ERISA Plan.

SECTION 5.08 No Change. Since December 31, 2011, other than as set forth in the Disclosure Statement dated July 12, 2012, there has been no event, circumstance, development, change or effect that has had or would reasonably be expected to have a Material Adverse Effect.

SECTION 5.09 No Material Litigation. Except as disclosed on Schedule 4.01(g), no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, likely to be commenced within a reasonable time period against the Borrower which, taken as a whole, would reasonably be expected to have a Material Adverse Effect.

SECTION 5.10 Ownership of Property; Liens. The Borrower has title to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material Property comprising the Trust Estate, and none of such Property comprising the Trust Estate is subject to any Lien except as permitted by Section 7.01.

SECTION 5.11 Federal Regulations. No part of the proceeds of the Loan will be used for “buying” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the regulations of the Board. If requested by the Administrative Agent, the Borrower will furnish to the Administrative Agent a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U 1 referred to in Regulation U.

SECTION 5.12 Investment Company Act. The Borrower is not an “investment company,” or a company “controlled” by an “investment company,” within the meaning of the Investment Company Act of 1940, as amended.

SECTION 5.13 Subsidiaries, Affiliates and Members. There are no direct or indirect Subsidiaries of the Borrower, Affiliates, or Members, other than as disclosed on Schedule 5.13.

SECTION 5.14 Solvency. The Borrower is, and after giving effect to the making of the Loan hereunder will be, Solvent.

SECTION 5.15 Environmental Matters. Except as disclosed on Schedule 5.15, the Borrower has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted, which if not obtained would reasonably be expected to result in a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect and the Borrower is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered into, promulgated or approved thereunder, that, in each case, if not in effect or not in compliance would reasonably be expected to result in a Material Adverse Effect.

SECTION 5.16 Accuracy of Information, etc. No written, factual statement or information (excluding the projections and pro forma financial information referred to below) contained in this Agreement, any other Loan Document or any financial statement or certificate furnished to any Lender, by or on behalf of the Borrower, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, when taken as a whole, contained, as of the date such statement, information, or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not materially misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Administrative Agent and the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

SECTION 5.17 Member Wholesale Power Contracts; Material Direct Serve Contracts.

(a) The Borrower has heretofore delivered to the Administrative Agent complete and correct copies of the Member Wholesale Power Contracts and Material Direct Serve Contracts in effect on the Closing Date. Identified on Schedule 5.17 are the Member Wholesale Power Contracts and the Material Direct Serve Contracts in effect as of the Closing Date. Each such Member Wholesale Power Contract and Material Direct Serve Contract are (i) legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with their respective terms and (ii) to the Borrower's actual knowledge without investigation, legal, valid and binding upon each Counterparty thereto and enforceable against each Counterparty thereto in accordance with their respective terms.

(b) The Borrower has not received a "Notice of Termination for Closure" under Section 7.3.1(a) of a smelter retail service contract from a counterparty thereto indicating its intention to terminate such smelter retail service contract pursuant to the terms thereunder ("Notice of Cancellation").

SECTION 5.18 Insurance. The Borrower maintains insurance in accordance with the Indenture.

SECTION 5.19 Franchises, Licenses, Etc. The Borrower possesses all franchises, certificates, licenses, permits and other authorizations necessary for the operation of its Business, except as the failure to possess would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.20 Indebtedness. As of the Closing Date, the Borrower has no Material Indebtedness other than as set forth on Schedule 5.20.

SECTION 5.21 Certain Indenture Items.

(a) The Notes constitute “Additional Obligations” as such term is defined in the Indenture.

(b) The Notes have been and remain authenticated pursuant to the requirements set forth in Section 4.1 of the Indenture.

(c) The terms of the Loan Documents do not conflict with the provisions of the Indenture.

(d) The Borrower’s obligations under the Notes when delivered will rank *pari passu* in right of payment, without preference or priority, with all other “Obligations” as defined in the Indenture.

**ARTICLE 6
AFFIRMATIVE COVENANTS**

The Borrower hereby agrees that, so long as the Loan or other amount is owing to the Lenders hereunder, the Borrower shall:

SECTION 6.01 Financial Reports. Furnish to the Administrative Agent:

(a) Annual Financial Statements. No later than one hundred twenty (120) days after the end of each fiscal year of the Borrower occurring during the term hereof, annual financial statements of the Borrower prepared in accordance with GAAP consistently applied. Such financial statements shall: (a) be audited by a nationally recognized firm of independent certified public accountants selected by the Borrower or such other firm of independent certified public accountants reasonably acceptable to the Administrative Agent (b) be accompanied by a report of such accountants containing an opinion which is not limited as to going concern or scope to the effect that the financial statements: (i) were audited in accordance with generally accepted auditing standards; and (ii) present fairly, in all material respects, the financial position of the Borrower as at the year then ended and the results of its operations for the year then ended, in conformity with GAAP; (c) be prepared in reasonable detail and in comparative form and (d) include consolidated balance sheets, a statement of equity, a statement of operations, a statement of cash flows, and all notes and schedules relating thereto.

(b) Quarterly Financial Statements. No later than sixty (60) days after the end of the first three quarterly periods of each fiscal year of the Borrower, commencing with the fiscal quarter ending June 30, 2012, the unaudited consolidated balance sheets of the Borrower as of the end of such quarter and a related statement of operations for the Borrower for the portion of the fiscal year through the end of such quarter, and such other interim statements as the Administrative Agent may reasonably request, all prepared on a consolidated basis, in reasonable detail, and in comparative form in accordance with GAAP consistently applied and certified by the chief financial officer of the Borrower (or another Responsible Officer acceptable to the Administrative Agent) as being fairly stated in all material respects (subject to normal year end audit adjustments and the lack of notes).

(c) Annual Budgets and Financial Plans. No later than ninety (90) days after the end of each fiscal year of the Borrower, copies of the annual budgets and financial plans of the Borrower and its Subsidiaries covering for at least the three year period following the end of such fiscal year.

(d) Annual RUS Form 12. Promptly after furnishing the same to RUS, a copy of the RUS Form 12a (or equivalent replacement thereof) filed by the Borrower with RUS for December 31 of each year.

(e) Compliance Certificate. Together with each set of financial statements delivered pursuant to Sections 6.01(a) and (b), a certificate of the chief financial officer of the Borrower substantially in the form of Exhibit G (or another Responsible Officer acceptable to the Administrative Agent): (i) certifying that no Default or Event of Default occurred during the period covered by such statements or, if a Default or Event of Default did occur during such period, a statement as to the nature thereof, whether such Default or Event of Default is continuing, and, if continuing, the action which is proposed to be taken with respect thereto and (ii) together with each set of financial statements delivered pursuant to Section 6.01(a) only, calculating the Borrower's Margin For Interest Ratio (as defined in the Indenture).

(f) Other Information. Such other information and reports regarding the condition or operations, financial or otherwise (including copies of any amendments or supplements to the Indenture, Member Wholesale Power Contracts, or Material Direct Serve Contracts) of the Borrower as the Administrative Agent may from time to time reasonably request.

SECTION 6.02 Notices. Upon a Responsible Officer of the Borrower obtaining knowledge thereof, furnish to the Administrative Agent for delivery to each Lender:

(a) Notice of Default; Material Adverse Event. Promptly, and in any event within ten (10) Banking Days after becoming aware thereof, notice of the occurrence of a Default or an Event of Default or any event, circumstance, change or effect that would reasonably result in a Material Adverse Effect.

(b) Notice of Litigation, Governmental Proceedings, & Environmental Events. Promptly, and in any event within ten (10) Banking Days after a Responsible Officer becoming aware thereof, notice of: (1) the commencement of any action, suit or proceeding before or by any court, governmental instrumentality, arbitrator, mediator or the like which, if adversely decided, would reasonably be expected to have a Material Adverse Effect; and (2) the receipt of any notice, indictment, pleading, or other communication alleging a condition that both: (a) may reasonably be expected to require the Borrower to undertake or to contribute to a clean-up or other response under any Environmental Law, or which seeks penalties, damages, injunctive relief, or other relief as a result of an alleged violation of any such Requirements of Law, or which claims personal injury or property damage as a result of environmental factors or conditions; and (b) would reasonably be expected to have a Material Adverse Effect or result in criminal sanctions.

(c) Notice of Certain Events. Promptly, and in any event within fifteen (15) Banking Days, written notice of each of the following: (1) any change in the name, structure, jurisdiction of organization, or organizational identification number (if any) of Borrower; or (2) any change in the principal place of business of the Borrower or the office where its records concerning its accounts are kept.

(d) Notices with Respect to Material Contracts. Promptly, and in any event within ten (10) Banking Days after a Responsible Officer becoming aware thereof, the Borrower shall notify the Administrative Agent of (i) any material modification to any of the Material Contracts or entering into any new Material Contracts, (ii) any default in the performance of any Counterparty's or Counterparties' payment obligations where the aggregate principal amount of such default or defaults exceeds \$10,000,000 under any Material Contract that has continued unremedied for thirty (30) or more days beyond the applicable grace period, if any, (iii) its receipt of a judicial or regulatory filing made by a Member, in either case (a) requesting to withdraw from, or make a material modification to, any of its obligations under its Material Contract, (b) seeking consent to assign any of its rights and obligations under its Material Contract, or (c) contesting the validity or enforceability of its Material Contract, (iv) any release or termination of a Counterparty's payment obligations under a Material Contract (v) any decree, order, filing, petition, or similar action regarding the insolvency or bankruptcy of a Counterparty or regarding any such Counterparty's inability to meet its future obligations under its Material Contract, or (vi) its receipt of a Notice of Cancellation from a counterparty to a smelter retail service contract and shall provide a copy of such Notice of Cancellation to the Administrative Agent.

(e) Subsidiaries. Promptly, and in any event within fifteen (15) Banking Days after (i) the formation of any material Subsidiary or (ii) any immaterial Subsidiary becoming a material Subsidiary, such information as the Administrative Agent may reasonably request with respect to such Subsidiary, including, without limitation, the name, chief executive office, and jurisdiction of formation.

(f) Governmental Reports. Promptly, and in any event within ten (10) Banking Days upon Borrower's receipt of a written notice, request for information, order, complaint or report of any Governmental Authority regarding any matter that would reasonably be expected to have a Material Adverse Effect.

SECTION 6.03 Compliance with Laws, Member Wholesale Power Contracts, Direct Serve Contracts, and Indenture. Comply with (A) all Requirements of Law (including without limitation Environmental Laws and ERISA matters) and each Member Wholesale Power Contract and Direct Serve Contract, except, in each case, to the extent that failure to comply therewith would not reasonably be expected to have a Material Adverse Effect, and (B) the Indenture.

SECTION 6.04 Inspection. Permit any Lender (coordinated through the Administrative Agent or its agents), upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine the properties, books and records of the Borrower, and to discuss its or their affairs, finances and accounts with its or their officers, directors, and independent certified public accountants.

SECTION 6.05 Use of Proceeds. Use the proceeds of the Loan for debt refinancing, funding of the Transition Reserve in the amount of \$35,000,000, and capital expenditures.

SECTION 6.06 CoBank Equity.

(a) So long as CoBank is a Lender hereunder, the Borrower will acquire equity in CoBank in such amounts and at such times as CoBank may require in accordance with CoBank's ByLaws and Capital Plan (as each may be amended from time to time), except that the maximum amount of equity that the Borrower may be required to purchase in CoBank in connection with the amount of the Loan held by CoBank may not exceed the maximum amount permitted by the ByLaws and the Capital Plan at the time this Agreement is entered into. The Borrower acknowledges receipt of a copy of (i) CoBank's most recent annual report, and if more recent, CoBank's latest quarterly report, (ii) CoBank's Notice to

Prospective Stockholders and (iii) CoBank's ByLaws and Capital Plan, which describe the nature of all of the Borrower's stock and other equities in CoBank acquired in connection with its patronage loan from CoBank (the "CoBank Equities") as well as capitalization requirements, and agrees to be bound by the terms thereof.

(b) Each party hereto acknowledges that CoBank's ByLaws and Capital Plan (as each may be amended from time to time) shall govern (i) the rights and obligations of the parties with respect to the CoBank Equities and any patronage refunds or other distributions made on account thereof or on account of the Borrower's patronage with CoBank, (ii) the Borrower's eligibility for patronage distributions from CoBank (in the form of CoBank Equities and cash) and (iii) patronage distributions, if any, in the event of a sale of a participation interest. CoBank reserves the right to assign or sell participations in all or any part of its Commitments or outstanding amounts of the Loan hereunder on a non-patronage basis.

SECTION 6.07 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take all such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement, the other Loan Documents and the Collateral Requirements.

ARTICLE 7 NEGATIVE COVENANTS

The Borrower hereby agrees that, for the period so long as Loan or other amount is owing to the Lenders hereunder, the Borrower shall not:

SECTION 7.01 Liens. Create, incur, assume or suffer to exist any Lien upon the Trust Estate (as defined in the Indenture) except as permitted under the Indenture (which Liens not prohibited by the Indenture include the statutory first Lien in favor of CoBank on the CoBank Equities).

SECTION 7.02 Restricted Payments. Directly or indirectly declare or pay any dividend or make any payments of, distributions of, or retirements of patronage capital to its Members, except to the extent permitted by Section 13.15 of the Indenture.

SECTION 7.03 Accounting Changes. Make or permit any change in accounting policies or reporting practices, except as required or permitted by applicable law or as otherwise in compliance with GAAP.

SECTION 7.04 Member Wholesale Power Contracts, Material Direct Serve Contracts and Organizational Documents.

(a) Consent to any modification, supplement or waiver of any of the provision of its Member Wholesale Power Contracts or Material Direct Serve Contracts, if the effect thereof, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Consent to any modification, supplement or waiver of any of the provisions of its Organizational Documents if the effect thereof, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

SECTION 7.05 Negative Pledge and Prohibition Clauses. Enter into any Contractual Obligation that prohibits or limits the ability of the Borrower to (a) create, incur, assume or suffer to exist CoBank's statutory first Lien on the CoBank Equities or (b) perform its obligations under any Loan Document.

**ARTICLE 8
FINANCIAL COVENANT**

The Borrower shall comply with Section 13.14 of its Indenture.

**ARTICLE 9
EVENTS OF DEFAULT**

If any of the following events shall occur and be continuing:

SECTION 9.01 Payment. The company shall fail to pay (a) any principal of the Loan due hereunder, or (b) any interest owed by it on the Loan or any fee or other amount payable by it hereunder or under any other Loan Document, within five (5) Banking days after any such interest or other amount becomes due in accordance with the terms hereof.

SECTION 9.02 Misrepresentation. Any representation or warranty made or deemed made by the Borrower herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document, shall in either case prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; provided that, with respect to representations and warranties made after the Closing Date only, the interest rate shall return to the Quoted Fixed Rate (and the Loans shall not bear interest at the Default Rate) immediately upon the Borrower's provision of accurate information in writing to the Administrative Agent.

SECTION 9.03 Covenant Violations. The Borrower shall default in the observance or performance of any agreement contained in Section 6.01, 6.02(a), and (d), 6.05, 6.06, Article 7, Article 8, or Article XIII of the Indenture (subject to the applicable cure provisions, if any, contained therein).

SECTION 9.04 Other Violations. The Borrower shall default in the observance or performance of (i) any agreement contained in Section 6.02(b), (c), (e), and (f) and such default shall continue unremedied for a period of five (5) days or (ii) any other agreement contained in this Agreement or any other Loan Document (other than as provided in Section 9.01, 9.02 or 9.03), and such default shall continue unremedied for a period of thirty (30) days, in each case, after the earlier of (A) the date the Borrower receives from the Administrative Agent notice of the existence of such default or (B) the date a Responsible Officer of the Borrower obtains knowledge of such default, provided, that in the case of (ii) above, if remedial action has been taken and Borrower is diligently pursuing a cure, such remedial action has not succeeded within an additional thirty (30) day period after Borrower receives notice (pursuant to clause (ii)(A) above) or obtains knowledge (pursuant to clause (ii)(B) above), as applicable.

SECTION 9.05 CoBank Indebtedness.

(a) With respect to any Indebtedness owed to CoBank, (i) the Borrower shall default in any payment (beyond the applicable grace period with respect thereto, if any), or (ii) any such Indebtedness shall be declared due and payable, or required to be prepaid, other than by a regularly

scheduled required prepayment or other prepayments of such Indebtedness prior to the stated maturity thereof.

(b) CoBank's commitment to lend to the Borrower under any other agreement existing between CoBank and the Borrower as of the Closing Date shall be terminated due to a default thereunder.

SECTION 9.06 Member Wholesale Power Contracts and Material Direct Serve Contracts. In the course of one fiscal year of the Borrower (i) any one or more Members shall default in the performance of any payment obligations under its or their Member Wholesale Power Contracts or any one Person party to a Material Direct Serve Contract shall default in its performance of any payment obligations under such Material Direct Serve Contract, where the aggregate principal amount of such default or defaults exceeds 20% of the Borrower's prior fiscal year's revenues and such default or defaults have continued for thirty-five (35) days beyond any applicable cure period, (ii) any one or more Members or any one Person party to a Material Direct Serve Contract shall contest the validity or enforceability of its or their Member Wholesale Power Contracts or Material Direct Serve Contracts, as the case may be, representing, individually or in the aggregate, 20% or more of the Borrower's prior fiscal year's revenues by filing any judicial or regulatory action, suit or proceeding seeking as a remedy the declaration of the unenforceability or the material modification of its or their Member Wholesale Power Contracts or Material Direct Serve Contracts, as the case may be, and such judicial or regulatory body shall have issued a final and non-appealable order either (A) declaring unenforceable all or a material portion of such Member Wholesale Power Contracts or such Material Direct Serve Contracts, as the case may be, representing, individually or in the aggregate, 20% or more of the Borrower's prior fiscal year's revenues or (B) adversely modifying any material portion of such Wholesale Power Contracts or Material Direct Serve Contracts representing, as the case may be, individually or in the aggregate, 20% or more of the Borrower's prior fiscal year's revenues, or (iii) the Borrower's Member Wholesale Power Contracts or Material Direct Serve Contracts together representing 20% or more of the Borrower's prior fiscal year's revenues shall be released or terminated, provided, however, that no such Event of Default shall be deemed to exist under this Section 9.06(iii) if (A) a smelter retail service contract (and the corresponding Material Direct Serve Contract) expires in accordance with its terms or (B) a smelter retail service contract (and, consequently, the corresponding Material Direct Serve Contract) is terminated as a result of the election of the counterparty to such smelter retail service contract in accordance with the terms and conditions of Section 7.3.1 (in effect as of the Closing Date) of the applicable smelter retail service contract (and not as the result of any action or consent of the Borrower or any of its members, except that, for the avoidance of doubt, the Borrower or the applicable member shall be entitled to terminate the corresponding Material Direct Serve Contract following the termination of the underlying smelter retail service contract pursuant to Section 7.3.1 thereof).

SECTION 9.07 Invalidity of Loan Documents. Any Loan Document shall be deemed invalid by order, judgment or decree of any Governmental Authority or arbitrator, or the Borrower shall assert that any such Loan Document is invalid.

SECTION 9.08 Indenture. An Event of Default (as defined in the Indenture) shall exist or the Notes shall cease to be secured under the terms of the Indenture.

ARTICLE 103 REMEDIES UPON DEFAULT

SECTION 10.01 Remedies.

(a) Subject in all cases to clause (b) of this Section 10.01, if an Event of Default has occurred and is continuing, (i) if such event is an Event of Default specified in the Indenture with respect to the Borrower, the Lenders, as Holders of “Obligations” under the Indenture, shall have the rights and remedies set forth in the Indenture and (ii) if such event is any other Event of Default, any of the following actions may be taken: the Administrative Agent may, or at the request of the Required Lenders, shall, enforce any and all rights and remedies as may be provided by this Agreement, any other Loan Document, or under applicable Requirement of Law, including without limitation, set off and application against the Borrower’s obligation to Lender then due and payable the proceeds of any equity in CoBank, any cash held by CoBank, or any other balances held by CoBank for the Borrower’s account (whether or not such balances are then due). Each of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of any Lender to exercise, and no delay in exercising, any right or remedy shall preclude any other future exercise thereof, or the exercise of any other right. Presentment, demand and protest of any kind are hereby expressly waived by the Borrower. In addition to the rights and remedies set forth above, upon the occurrence and during the continuance of an Event of Default, at Administrative Agent’s option in each instance (and automatically following an acceleration), the unpaid principal balance of the Loan (and all overdue payments of interest and fees) shall bear interest at the Default Rate. All such interest, together with all overdue amounts, shall be payable on demand.

(b) The Loan may only be accelerated as provided in, and subject to the terms of, the Indenture.

SECTION 10.02 Allocation of Payments after Acceleration. Notwithstanding any other provisions of this Agreement, all amounts collected or received by the Administrative Agent or any Lender on account of amounts owed pursuant to the Notes (including any principal (and premium, if any) and interest thereunder) and secured by the Indenture shall be paid to the Administrative Agent for the benefit of the Lenders pursuant to Section 2.12 and any additional amounts shall then be paid or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation fees and disbursements of any law firm or other external counsel and all disbursements of internal legal counsel) of the Administrative Agent or any of the Lenders in connection with enforcing the rights of the Lenders under the Loan Documents, pro rata, as set forth below;

SECOND, to payment of any fees owed to the Administrative Agent or any Lender, pro rata as set forth below;

THIRD, to all other obligations which shall have become due and payable under the Loan Documents and not repaid pursuant to clauses “FIRST” or “SECOND” above; and

FOURTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category and (b) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding amount of the Loan held by such Lender bears to the aggregate then outstanding amount of the Loan) of amounts available to be applied.

ARTICLE 11
ADMINISTRATIVE AGENT

SECTION 11.01 Appointment. Each of the Lenders hereby irrevocably appoints the Administrative Agent to act on its behalf as the Administrative Agent hereunder and under the Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Section are solely for the benefit of the Administrative Agent, the Lenders and the Borrower shall not have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

SECTION 11.02 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

SECTION 11.03 Exculpatory Provisions.

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Requirement of Law including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (a) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Article 10 and Section 12.01) or (b) in the absence of its own gross negligence or willful misconduct as determined by a final, nonappealable judgment of a court of competent jurisdiction. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (iv) the satisfaction of any condition set forth in Sections 4.01 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 11.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender or the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 11.05 Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default.” In the event that Administrative Agent receives such a notice, Administrative Agent promptly shall give notice thereof to the Borrower and the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, that unless and until Administrative Agent shall have received such directions, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders. Notwithstanding anything else to the contrary in this Agreement, the Administrative Agent shall not be required to take, or to omit to take, any action (a) unless, upon demand, the Administrative Agent receives an indemnification satisfactory to it from the Lenders against all liabilities that, by reason of such action or omission, may be imposed on, incurred by or asserted against the Administrative Agent or any of its Affiliates or (b) that is, in the opinion of the Administrative Agent, contrary to any Loan Document or applicable Requirement of Law.

SECTION 11.06 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance on the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

SECTION 11.07 Indemnification. The Lenders agree to indemnify Administrative Agent and Agent Parties (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section 11.07 (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loan shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loan) be imposed on, incurred by or asserted against Administrative Agent or Agent Parties in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by Administrative Agent or Agent Parties under or in connection with any of the foregoing; provided, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from Administrative Agent's or Agent Parties' gross negligence or willful misconduct. The agreements in this Section 11.07 shall survive the payment of the Loan and all other amounts payable hereunder.

SECTION 11.08 Right as a Lender. The Person serving as Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 11.09 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower (so long as no Default or Event of Default has occurred and is continuing), to appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders appoint a successor Administrative Agent. Whether or

not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) With effect from the Resignation Effective Date (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent, and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 11.07 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

SECTION 11.10 No Other Duties, etc. Anything herein to the contrary notwithstanding, no Bookrunner or Arranger listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

ARTICLE 12 MISCELLANEOUS

SECTION 12.01 Amendments and Waivers.

(a) Neither this Agreement, any other Loan Document (except the Notes, the Indenture and the Second Supplemental Indenture), nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 12.01. The Required Lenders and the Borrower may or, with the written consent of the Required Lenders, the Administrative Agent and the Borrower may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights or obligations of the Administrative Agent, the Lenders or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (x)(i) forgive or reduce the principal amount or extend the final scheduled date of maturity of the Loan, (ii) reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, (iii) increase the amount or extend the expiration date of any Lender's Commitments, (iv) modify the definition of "Required Lender," or (v) modify Section 2.12, in each case without the written consent of each Lender directly adversely affected thereby; or (y) eliminate or reduce the voting rights of any Lender or Participant under this Section 12.01 without the written consent of such Lender or Participant; or (z) amend, modify or waive any provision of Article 11 without the written consent of the Administrative Agent. The Notes, the Indenture and the

Supplemental Indenture, may be amended, supplemented or modified pursuant to the terms of the Indenture. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of Loan. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing unless limited by the terms of such waiver; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

(b) If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender and that has been approved by the Required Lenders, the Borrower may replace such non-consenting Lender in accordance with Section 3.06; provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

SECTION 12.02 Notices Generally.

(a) Notices. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

If to the Administrative Agent, as follows:

CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Facsimile: (303) 740-4002
Attention: Power Supply Division

With a copy to:
CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Facsimile: (303) 740-4002
Attention: Legal Division

Latham & Watkins LLP
555 Eleventh Street, NW
Suite 1000
Washington, DC 20004-1304
Fax: +1.202.637.2201
Attention: Paul J. Hunt

If to a Lender, to it at its address (of facsimile number) set forth in its Administrative Questionnaire.

If to the Borrower, as follows:

Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420
Facsimile: (270) 827-2558
Attention: President and Chief Executive Officer

With a copy to:
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420
Facsimile: (270) 827-2558
Attention: Chief Financial Officer

James M. Miller, Esq.
Sullivan, Mountjoy, Stainback & Miller, P.S.C.
100 St. Ann Building
Owensboro, KY 42303

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Banking Day for the recipient). Notices delivered through electronic communications, to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communication. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided, that the foregoing shall not apply to notices to any Lender pursuant to Article 2 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Banking Day for the recipient.

(c) Change of Address, etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

(d) Platform.

(i) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the "Platform").

(ii) The Platform is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or the Platform. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of communications through the Platform except to the extent that such losses, damages, liabilities or related expenses are determined by a final, nonappealable judgment of a court of competent jurisdiction to have

resulted from the gross negligence or willful misconduct of the Agent Parties. “Communications” means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of the Borrower pursuant to any Loan Document or the transactions contemplated therein which is distributed to the Administrative Agent or any Lender by means of electronic communications pursuant to this Section, including through the Platform.

SECTION 12.03 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by any Requirement of Law.

SECTION 12.04 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loan and other extensions of credit hereunder.

SECTION 12.05 Costs and Expenses; Indemnification.

(a) **Costs and Expenses.** The Borrower shall pay (i) all reasonable out of pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the Loan, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out of pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Lender or any, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loan made hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loan.

(b) **Indemnification by the Borrower.** The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnatee”) against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnatee), and shall indemnify and hold harmless each Indemnatee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any Person (including the Borrower) other than such Indemnatee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) the Loan or use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Materials of Environmental Concern on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any

of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This Section 12.05(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party thereof, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); provided, that, the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or against any Related Party thereof acting for the Administrative Agent (or any such sub-agent) in connection with such capacity.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no party hereto shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, the Loan or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(E) Payments. All amounts due under this Section shall be payable not later than ten (10) days after demand therefor.

(F) Survival. Each party's obligations under this Section shall survive the termination of the Loan Documents and payment of the obligations hereunder.

SECTION 12.06 Successors and Assigns; Participations and Assignments.

(a) Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer

by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the principal amount of the Loan at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and/or the principal amount of the Loan at the time owing to it or contemporaneous assignments to related Approved Funds that equal at least the amount specified in paragraph (B)(1)(b) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (B)(1)(a) of this Section, the aggregate amount of the Commitment (which for this purpose includes principal amount of the Loan outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loan of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) a Default or Event of Default has occurred and is continuing at the time of such assignment, or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Banking Days after having received notice thereof and provided, further, that the Borrower's consent shall not be required during the primary syndication of the Loan;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld, delayed or conditioned) shall be required for assignments in respect of the Loan or any unfunded Commitments if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(iv) Assignment and Assumption; Transfer Notice. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. The assigning Lender shall deliver the applicable Note(s) representing a right to payment of the obligations being assigned together with a Transfer Notice executed by such assigning Lender to the Administrative Agent. Upon receipt of such Note and Transfer Notice, the Administrative Agent shall countersign the Transfer Notice and deliver the Note and Transfer Notice to the Trustee to register the new holder of the Note in accordance with the terms of the Indenture. The Administrative Agent shall deliver the Note to the assignee Lender following registration by the Trustee.

(v) No Assignment to Certain Persons. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (v).

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural Person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section and the submission of the Transfer Notice by the Administrative Agent to the Trustee pursuant to paragraph (b)(iv) of this paragraph, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.03 and 12.05 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Colorado a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loan owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loan owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower, the Administrative Agent, and

Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 12.05(c) with respect to any payments made by such Lender to its Participant(s).

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the proviso of Section 12.01(a) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.03 and 3.04 (subject to the requirements and limitations therein, including the requirements under Section 3.04(g) (it being understood that the documentation required under Section 3.04(G) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 3.06 as if it were an assignee under paragraph (B) of this Section; and (B) shall not be entitled to receive any greater payment under Sections 3.01, 3.03 and 3.04, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 3.06 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.07 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loan or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Farm Credit Lenders. Notwithstanding anything in this Section 12.06 to the contrary, any institution that is a member of the Farm Credit System (a "Farm Credit Lender") that (i) has purchased a participation in the minimum aggregate amount of \$5,000,000 on or after the Closing Date, (ii) is, by written notice to the Borrower and the Administrative Agent ("Voting Participant Notification"), designated by the selling Lender (including any existing Voting Participant) as being entitled to be accorded the rights of a Voting Participant hereunder and (iii) receives the prior written

consent of the Administrative Agent, in its sole discretion, to become a Voting Participant (such consent to be required only to the extent and under the circumstances it would be required if such Voting Participant were to become a Lender pursuant to an assignment in accordance with Section 12.06(a)) (any such Farm Credit Lender so designated and consented to being called a “Voting Participant”), shall be entitled to vote for so long as such Farm Credit Lender owns such participation and notwithstanding any subparticipation by such Farm Credit Lender (and the voting rights of the selling Lender (including any existing Voting Participant) shall be correspondingly reduced), on a dollar for dollar basis, as if such participant were a Lender, on any matter requiring or allowing a Lender to provide or withhold its consent, or to otherwise vote on any proposed action. To be effective, each Voting Participant Notification shall, with respect to any Voting Participant, (x) state the full name, as well as all contact information required of an assignee in an Assignment and Assumption and (y) state the dollar amount of the participation purchased in its Commitment or any or all of its Loan. Notwithstanding the foregoing, each Farm Credit Lender designated as a Voting Participant on Schedule 12.06(f) hereto shall be deemed a Voting Participant without delivery of a Voting Participant Notification and without the prior written consent of the Administrative Agent. The selling Lender (including any existing Voting Participant) and the purchasing Voting Participant shall notify the Administrative Agent and the Borrower within three (3) Banking Days’ of any termination of, or reduction or increase in the amount of, such participation. The Borrower and the Administrative Agent shall be entitled to conclusively rely on information contained in notices delivered pursuant to this paragraph. The voting rights hereunder are solely for the benefit of the Voting Participant and shall not inure to any assignee or participant of the Voting Participant that is not a Farm Credit Lender.

SECTION 12.07 Set off. If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held, and other obligations (in whatever currency) at any time owing, by such Lender or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or their respective Affiliates, irrespective of whether or not such Lender or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch, office or Affiliate of such Lender different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 12.08 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement or the Assignment and Assumption by facsimile transmission or other electronic means shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

SECTION 12.09 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 12.10 Complete Agreement. The Loan Documents are intended by the parties to be a complete and final expression of their agreement.

SECTION 12.11 Applicable Law. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO ANY PROVISION THEREOF THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION).

SECTION 12.12 Submission to Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the nonexclusive general jurisdiction of the courts of the State of New York, and appellate courts thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 12.02 or at such other address of which the Lender shall have been notified pursuant thereto; and

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by any Requirement of Law or shall limit the right to sue in any other jurisdiction.

SECTION 12.13 Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) the Administrative Agent and the Lenders do not have any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby between the Lenders and the Borrower.

SECTION 12.14 Accounting Changes. In the event that any Accounting Change shall occur and such change results in a change in the method of calculation of financial ratios, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower and the Administrative Agent, all financial ratios, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred.

SECTION 12.15 WAIVERS OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

SECTION 12.16 USA PATRIOT ACT. The Lenders hereby notify the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Publ. 107 56 (signed into law October 26, 2001)) (the "Act"), each is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lenders to identify the Borrower in accordance with the Act.

SECTION 12.17 Confidentiality.

(a) Each of the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable Requirements of Law or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 12.17, to (a) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or any other Loan Document or (b) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (vii) with the consent of the Borrower, (viii) to the extent such Information (X) becomes publicly available other than as a result of a breach of this Section or (Y) becomes available to the Lender on a nonconfidential basis from a source other than the Borrower or (ix) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or in connection with examinations or audits of such Lender. For the purposes of this Section 12.17, "Information" means all information received from the Borrower relating to the Borrower or its Business, other than any such information that is available to such Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 12.17 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.


(b) EACH LENDER ACKNOWLEDGES THAT INFORMATION AS DEFINED IN SECTION 12.17(a) FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BORROWER AND ITS RELATED PARTIES OR THEIR RESPECTIVE SECURITIES, AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date shown above.

BIG RIVERS ELECTRIC CORPORATION

By: Mark A. Bailey
Name: Mark A. Bailey
Title: President and CEO

COBANK, ACB, as Administrative Agent, Lead Arranger, and Bookrunner

By: 
Name: Josh Batchelder
Title: Vice President

COBANK, ACB, as Lender


By: 
Name: Josh Batchelder
Title: Vice President

EXHIBIT A

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01 Definitions. As used in the Agreement, any amendment thereto, or in any other Loan Document, the following terms shall have the following meanings:

Accounting Change refers to changes in accounting principles required or permitted by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

Act has the meaning given in Section 12.16.

Administrative Agent shall have the meaning given it in the Introduction.

Affiliate shall mean any Person: (1) which directly or indirectly controls, or is controlled by, or is under common control with, the Borrower; (2) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of, or other interests in the Borrower; or (3) five percent (5%) or more of the voting stock of, or other interest in, which is directly or indirectly beneficially owned or held by the Borrower; provided, however, that no Member of the Borrower shall be deemed to be an Affiliate of the Borrower for the purposes of this Agreement. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Agent Parties has the meaning given it in Section 12.02(d)(ii).

Aggregate Exposure Percentage shall mean, with respect to any Lender, the ratio (expressed as a percentage) of such Lender’s Commitment to the total Commitments of all Lenders.

Agreement has the meaning given it in the introduction hereto.

Approved Fund shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

Assignee has the meaning specified in Section 12.06(a).

Assignment and Assumption shall mean an Assignment and Assumption, substantially in the form of Exhibit H.

Banking Day shall mean any day that is not a Saturday, Sunday or other day on which banks in Denver, Colorado are authorized or required by law to remain closed.

Bankruptcy Code shall mean the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

Board shall mean the Board of Governors of the Federal Reserve System of the United States (or any successor).

Board of Directors shall mean either the board of directors of the Borrower or any duly authorized committee of such board.

Borrower has the meaning given in the preamble hereto.

Business shall mean the business activities and operations of the Borrower prior to the Closing Date and activities relating, incidental or ancillary thereto.

Capital Lease shall mean a lease which should be capitalized on the books of the lessee in accordance with GAAP (other than obligations under any lease related to (i) equipment used for office; or compute needs, (ii) equipment used for transportation needs, or (iii) leases of other items having a net book value of less than \$1,000,000) *provided, however, that* “Capital Lease Obligations” shall not include obligations included on such Person’s consolidated financial statements because of consolidation of another Person, including a subsidiary, with such Person pursuant to GAAP and for which such Person is not legally obligated.

Capital Stock shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, and any and all equivalent ownership interests in a Person (other than a corporation).

CFC Loan Agreement shall mean that certain loan agreement, dated as of the date hereof, between the Borrower and the National Utilities Cooperative Finance Corporation, under which the Borrower will incur indebtedness in an amount of \$302,000,000.

Change in Law shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

Change of Control shall mean, at any time, the Borrower ceases to be an electric generation and transmission cooperative that is controlled by no less than 51% (tested by percentage of the controlling vote to elect the Board of Directors of the Borrower) of the Members of the Borrower.

Closing Date shall mean the date the conditions precedent to the Loan set forth in Section 4.01 are met.

CoBank has the meaning given in the preamble hereto.

CoBank Equities has the meaning specified in Section 6.06(a).

Code shall mean the Internal Revenue Code of 1986, as amended from time to time (and any successor thereto) and the regulations thereunder.

Collateral Requirements has the meaning given in Section 4.01(n).

Commitment shall mean, as to any Lender, the obligation of such Lender to make a Loan to the Borrower in a principal amount not to exceed the amount set forth opposite such Lender's name on Exhibit I. The aggregate amount of the Commitments is two hundred and thirty five million dollars (\$235,000,000). Immediately after the making of the Loan on the Closing Date, the Commitment shall be reduced to zero dollars (\$0).

Communication has the meaning given it in Section 12.02(D)(ii).

Connection Income Taxes shall mean Other Connection Taxes that are imposed on or measured by net income or net profits (however denominated) or that are franchise Taxes or branch profits Taxes.

Contractual Obligation shall mean, as to any Person, any provision of any security issued by such Person or of any written or recorded agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

Counterparty shall mean, when referring to a Member Wholesale Power Contract, the Member party to such Member Wholesale Power Contract and, when referring to a Direct Serve Contract, the Person counterparty to the Borrower on such Direct Serve Contract.

Debtor Relief Laws shall mean the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

Default shall mean the occurrence of any event which with the giving of notice hereunder or the passage of time hereunder or the occurrence of any other condition hereunder would become an Event of Default under the Agreement or under any other Loan Document.

Default Rate has the meaning specified in Section 2.08(b).

Direct Serve Contracts shall mean wholesale electric service contracts (together with material amendments or supplements thereto and all successor or replacement contracts and agreements thereto and thereof) with a member of Borrower to provide wholesale electric service directly from Borrower's transmission system to any customer for which the member has an electric service contract with such customer.

Dollars and the sign "\$" shall mean Lawful money of the United States of America.

Environmental Law shall mean any and all applicable Requirements of Law, rules, orders, regulations, statutes, ordinances, codes or decrees (including, without limitation, common law) of the United States, or any state, provincial, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment, as has been, is now, or at any time hereafter is, in effect.

Environmental Liability shall mean any liability, claim, action, suit, judgment or order under or relating to any Environmental Law for any damages, injunctive relief, losses, fines, penalties, fees, expenses or costs, whether contingent or otherwise, including those arising from or relating to: (a) compliance or non-compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Materials of Environmental Concern, (c) exposure to any Materials of Environmental Concern, (d) the Release of any Materials of Environmental Concern or

(e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time (and any successor thereto), and the regulations and published interpretations thereof.

Event of Default shall mean any of the events specified in Article 9 and any event specified in any other Loan Document as an Event of Default.

Excluded Taxes shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income or net profits (however denominated), franchise Taxes (imposed in lieu of net income or net profits Taxes), and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 3.06) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 3.04, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.04(G) and (d) any U.S. federal withholding Taxes imposed under FATCA.

Existing CoBank Facility shall mean that certain \$50,000,000 unsecured line of credit facility made available by CoBank to Borrower pursuant to that certain Revolving Credit Agreement entered into as of July 16, 2009 between Borrower and CoBank.

Farm Credit Lender has the meaning given it in Section 12.06(F).

Farm Credit System shall mean a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations.

FATCA shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

Federal Funds Effective Rate shall mean for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Banking Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Banking Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

Fee Letter shall mean that certain letter, dated July 27, 2012, by CoBank and accepted and agreed to by the Borrower.

Fitch shall mean Fitch, Inc.

Foreign Lender shall mean (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

Fund shall mean any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

Funding Office shall mean the office of the Administrative Agent specified in Section 2.03 or such other office as may be specified from time to time by the Lender as its funding office by written notice to the Borrower.

GAAP shall mean generally accepted accounting principles in the United States.

Governmental Authority shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

Indebtedness of any Person shall mean, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person for the deferred purchase price of property or services, (d) all guarantee obligations by such Person of Indebtedness of others, (e) all Capital Lease obligations of such Person, and (f) the principal component of all obligations, contingent or otherwise, of such Person (i) as an account party in respect of letters of credit (other than any letters of credit, bank guarantees or similar instrument in respect of which a back-to-back letter of credit has been issued under or permitted by this Agreement) and (ii) in respect of bankers' acceptances; provided that Indebtedness shall not include (A) trade and other ordinary course payables, accrued expenses and intercompany liabilities arising in the ordinary course of business, (B) prepaid or deferred revenue arising in the ordinary course of business, (C) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase price of an asset to satisfy unperformed obligations of the seller of such asset or (D) earn-out obligations until such obligations become a liability on the balance sheet of such Person in accordance with GAAP. The Indebtedness of any Person shall include the Indebtedness of any partnership in which such Person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness expressly limits the liability of such Person in respect thereof. Indebtedness shall not include obligations under (i) hedging agreements not entered into for speculative purposes, (ii) leases (other than Capital Lease Obligations), (iii) power, energy, transmission or fuel purchase agreements, (iv) obligations imposed by a Governmental Authority (other than RUS or CoBank), (v) commodities trading or purchase arrangements not entered into for speculative purposes, (vi) surety, indemnity, performance, release and appeal bonds and Guarantees thereof incurred in the ordinary course of the Borrower's business, (vii) reclamation or decommissioning obligations (and Guarantees thereof, or (viii) obligations which have been legally or economically defeased.

Indemnified Taxes shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

Indemnitee has the meaning set forth in Section 12.05(b).

Indenture shall mean that certain Indenture dated as July 1, 2009, between the Borrower and U.S. Bank National Association, as amended, supplemented or restated from time to time.

Interest Payment Date shall mean the last Banking Day of each March, June, September and December, commencing on September 30, 2012, and the Maturity Date.

Lenders shall mean the several financial institutions from time to time parties hereto.

Lien shall mean any mortgage, deed of trust, pledge, security interest, hypothecation, assignment for security purposes, deposit arrangement, lien (statutory or other), or other security agreement, charge or similar encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement).

Loan shall have the meaning given it in Section 2.01(a).

Loan Documents shall mean this Agreement, the Notes and the documents creating or evidencing the Collateral Requirements including the Indenture and the Supplemental Indenture.

Material Adverse Effect shall mean any change to the business, operations, affairs, condition (financial or otherwise), liabilities (actual or contingent), assets, or properties of the Borrower or its subsidiaries, taken as a whole, that materially adversely affects (i) the ability of the Borrower to perform its obligations under the Loan Documents or (ii) the validity or enforceability of any Loan Documents or the Lenders' remedies under the Loan Documents.

Material Contract shall mean each Member Wholesale Power Contract and Material Direct Serve Contract listed on Schedule 5.17.

Material Direct Serve Contracts shall mean any Direct Serve Contract to (i) any smelter to which a member of the Borrower supplies power, and (ii) any customer with a contract load of 25 megawatts or greater.

Materials of Environmental Concern shall mean any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or byproducts and all other hydrocarbons, coal ash, radon gas, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, chlorofluorocarbons and all other ozone-depleting substances, pollutants, contaminants, radioactivity and any other chemicals, materials or substances that are defined as hazardous or toxic under any Environmental Law, that are prohibited, limited or regulated pursuant to any Environmental Law.

Material Indebtedness shall mean any Indebtedness with a principal value in excess of \$10,000,000.

Member shall mean a rural distribution cooperative member of the Borrower.

Member Wholesale Power Contracts shall mean the Borrower's power supply contracts with its members (together with all material amendments and supplements thereto) and all successor or replacement contracts and agreements thereto or thereof, excluding the Direct Serve Contracts.

Moody's shall mean Moody's Investor Services.

Maturity Date shall mean June 30, 2032.

Non-Consenting Lender shall mean any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all affected Lenders in accordance with the terms of Section 12.01 and (ii) has been approved by the Required Lenders.

Notes shall mean the meaning given in Section 2.01(b).

Notice of Borrowing shall mean a Notice of Borrowing, substantially in the form of Exhibit J.

Notice of Cancellation shall have the meaning given it in Section 5.17(b).

Organizational Documents shall mean the documents under which the Borrower has been organized or is run, including (as may be relevant) articles of incorporation or formation, bylaws, partnership agreements, shareholder agreements, and the like.

Other Connection Taxes shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in the Loan or Loan Document).

Other Taxes shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes.

Outstanding Amount shall mean on any date, the aggregate outstanding principal amount of the Loan, after giving effect to any prepayments or repayments of occurring on such date.

Participant shall have the meaning specified in Section 12.06(d).

Participant Register has the meaning specified in Section 12.06(d).

Person shall mean an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

Prepayment Surcharge has the meaning given it in Section 2.07.

Property or Properties shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

Quoted Fixed Rate shall mean a rate to be established by the Administrative Agent on the date of Borrowing in its sole and absolute discretion.

Recipient shall mean the Administrative Agent or any Lender, as applicable.

Register shall have the meaning assigned to such term in Section 12.06(c).

Regulation U shall mean Regulation U of the Board of Governors of the Federal Reserve System of the United States (or any successor) as in effect from time to time.

Related Parties shall mean, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, attorneys-in-fact and advisors of such Person and of such Person's Affiliates.

Release shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment or within or upon any building, structure or facility.

Required Lenders shall mean two (2) or more Lenders (including Voting Participants) who have in the aggregate Commitment Percentages greater than 50%, provided, that, at any time when there is only one (1) Lender and no Voting Participants, such Lender shall constitute the "Required Lenders."

Requirements of Law shall mean as to any Person, the certificate of incorporation and bylaws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, provided, however, that for purposes of the Loan Documents, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith shall be deemed to have gone into effect after the Closing Date, regardless of the date enacted, adopted or issued).

Resignation Effective Date has the meaning assigned such term in Section 11.09.

Responsible Officer shall mean the chief executive officer, president, chief financial officer (or similar title) controller or treasurer (or similar title) of the Borrower or its members, as applicable.

RUS shall mean the Rural Utilities Service or other agency succeeding to the authority of the Rural Utilities Service with respect to loans to electric cooperatives.

SEC shall mean the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

Solvent shall mean with respect to any Person, as of any date of determination, (a) the fair value of the assets of such Person (determined at a fair valuation made with reference to the financial statements delivered to the Administrative Agent pursuant to Section 4.01(A) or Section 6.01) will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (b) such Person will not have, as of such date, an unreasonably small amount of capital for a generation and transmission cooperative with similar power supply obligations with which to conduct its business and (c) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured and (iii) except as otherwise provided by applicable Requirement of Law, the amount of a "contingent" liability at any time shall be the amount thereof which,

in light of all the facts and circumstances existing at such time, can reasonably be expected to become actual or matured liabilities.

Specified Lender has the meaning given it in Section 3.06.

Subsidiary shall mean, as to the Borrower, a corporation, partnership, limited liability company, joint venture, or other Person of which shares of stock or other equity interests having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company, joint venture, or other Person are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by the Borrower.

Supplemental Indenture shall mean the meaning given it in Section 4.01(o).

Taxes shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

Trade Date has the meaning given it in Section 12.06(b)(i)(B).

Transfer Notice shall mean a Transfer Notice, substantially in the form of the Transfer Notice attached to the Form of Note attached as Exhibit B hereto.

Transition Reserve means a transition reserve to be maintained by Borrower in the amount of \$35,000,000 for use in meeting expenses in the event a smelter terminates service under its Direct Serve Contract.

Trustee shall mean the meaning given in the Indenture.

Trust Estate shall have the meaning set forth in the Indenture.

U.S. Borrower shall mean any Borrower that is a U.S. Person.

U.S. Person shall mean any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

U.S. Tax Compliance Certificate has the meaning given it in Section 3.04(G)(ii)(b)(3).

Voting Participant has the meaning given it in Section 12.06(f).

Withholding Agent shall mean the Borrower and the Administrative Agent.

SECTION 1.02 Rules of Interpretation. The following rules of interpretation shall apply to the Agreement and any Loan Document, and all amendments to either of the foregoing:

Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

Number. All terms stated in the singular shall include the plural, and all terms stated in the plural shall include the singular.

Including. The term “including” shall mean including, but not limited to.

Default. The expression “while any Default or Event of Default shall have occurred and be continuing” (or like expression) shall be deemed to include the period following any acceleration of the Loan (unless such acceleration is rescinded).

Time Periods. The word “from,” when referring to a time period, is exclusive and shall not include the day from which the time period runs. The word “to” or “through,” when referring to a time period, is inclusive and shall include the day to which the time period runs.

Headings. Captions and headings used in this Agreement are for reference and convenience of the parties only, and shall not constitute a part of this Agreement.

Gender. The gender of all words used in this Agreement includes the masculine, feminine, and neuter.

Agreement. The terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this Agreement, and all references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to exhibits attached hereto, each of which is made a part hereof for all purposes.

Or. The term “or” is not exclusive.

Agents. Where any provision in this Agreement refers to action to be taken by any person or entity, or which such person or entity is prohibited from taking, such provision will be applicable whether such action is taken directly or indirectly by such person or entity, including actions taken by or on behalf of any affiliate of such person or entity.

Successors and Assigns. References to any person or entity will be construed as a reference to any successors or permitted assigns of such person or entity.

Amendments and Modifications. Reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended, supplemented or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.

**EXHIBIT B
TO CREDIT AGREEMENT**

FORM OF NOTE

THIS SERIES 2012A FIRST MORTGAGE NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY BE RESOLD ONLY IF REGISTERED PURSUANT TO THE PROVISIONS OF THE SECURITIES ACT OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, EXCEPT UNDER CIRCUMSTANCES WHERE NEITHER SUCH REGISTRATION NOR SUCH AN EXEMPTION IS REQUIRED BY LAW.

**BIG RIVERS ELECTRIC CORPORATION
FIRST MORTGAGE NOTES, SERIES 2012A**

\$_[_____], _____, 2012

FOR VALUE RECEIVED, BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the "Borrower") **HEREBY PROMISES TO PAY** to [LENDER] (the "Lender"), or its assigns, in lawful money of the United States and in immediately available funds, the principal amount of [_____] DOLLARS (\$[_____]), or, if less, the aggregate unpaid principal amount of the Loans (as defined in the Credit Agreement referred to below) made by Lender to the Borrower pursuant to the Credit Agreement and outstanding on the Commitment Termination Date (as defined in the Credit Agreement), whichever is less. The Borrower also promises to pay interest on the unpaid principal balance of the Loans for the period such balance is outstanding in like money, at the rates of interest, at the times, and calculated in the manner, set forth in Credit Agreement. Any amount of principal and, to the extent provided by law, interest, hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at a rate per annum equal at all times to the rates set forth in Section 2.08 of the Credit Agreement. All payments made hereunder shall be made at the times and in the manner set forth in the Credit Agreement.

The Borrower hereby authorizes the Lender to endorse on the schedule annexed to this Note all payments of principal and interest in respect of the Loan, which endorsements shall be presumed correct absent manifest error as to the outstanding principal amount of, and accrued and unpaid interest on, the Loans; provided however, that the failure to make such notation with respect to any Loan or payment shall not limit or otherwise affect the obligation of the Borrower under the Credit Agreement or this Note.

This is a Note referred to in that certain Secured Credit Agreement, dated as of July 24, 2012, by and between the Borrower, the several financial institutions or entities from time to time parties thereto, including the Lender, and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent, lead arranger and book runner, as amended, supplemented or modified from time to time (the "Credit Agreement"), to evidence the Loans made by the Lender thereunder, all of the terms and provisions of which are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of principal upon the occurrence of an Event of Default and for prepayments on the terms and conditions specified therein, including payment of a surcharge pursuant to Section 2.07 of the Credit Agreement.

This Note is an Obligation (as defined in the Indenture) subject to and is secured by that certain Indenture, dated as of July 1, 2009, as supplemented, by and between the Borrower and U.S. Bank National Association, as Trustee.

This Note is a registered Obligation and, as provided in the Indenture, upon surrender of this Note for registration of transfer, accompanied by a written instrument of transfer duly executed, by the registered Holder hereof (or such Holder's attorney duly authorized in writing) and countersigned by the Administrative Agent, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Borrower may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Borrower will not be affected by any notice to the contrary.

The Borrower hereby waives presentment for payment, demand, notice of protest, notice of dishonor, and any other notice or formality with respect to this Note, and all defenses on the ground of delay or of any extension of time for payment hereof which may, without obligation, hereafter be given by the holder hereof.

Except to the extent governed by applicable federal law, this Note shall be governed by, and interpreted and construed in accordance with, the laws of the State of New York, without reference to choice of law doctrine.

BIG RIVERS ELECTRIC CORPORATION

By: _____
Name:
Title:

This is one of the Obligations (as defined in the Indenture) of the series designated therein referred to in the Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

Date of Authentication: _____

**SCHEDULE TO NOTE
LOANS**

Date Loan Made or Paid	Amount of Loan Made or Paid	Unpaid Principal Balance of Note	Name of Person Making Notation

FORM OF TRANSFER NOTICE

FOR VALUE RECEIVED the undersigned registered Noteholder hereby sell(s) assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

(Please print or typewrite name and address including zip code of assignee)

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

attorney to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

(Signature of Transferor)

NOTE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or enlargement or any change whatsoever.

NOTE: The signature must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to S.E.C. Rule 17Ad-15.

The Administrative Agent hereby authorizes the Trustee as Obligation Registrar (as defined in the Indenture) for the First Mortgage Notes, Series 2012A to transfer this Note under the Indenture pursuant to the instructions, above.

CoBank, ACB, as Administrative Agent

By: _____

Name: _____

Title: _____

**EXHIBIT C
TO CREDIT AGREEMENT**

PRINCIPAL REPAYMENT SCHEDULE

Period	Date	Principal Payment
1	9/30/2012	1,776,021.00
2	12/31/2012	1,797,111.00
3	3/31/2013	1,818,452.00
4	6/30/2013	1,840,046.00
5	9/30/2013	1,861,896.00
6	12/31/2013	1,884,006.00
7	3/31/2014	1,906,379.00
8	6/30/2014	1,929,017.00
9	9/30/2014	1,951,924.00
10	12/31/2014	1,975,103.00
11	3/31/2015	1,998,558.00
12	6/30/2015	2,022,291.00
13	9/30/2015	2,046,305.00
14	12/31/2015	2,070,605.00
15	3/31/2016	2,095,194.00
16	6/30/2016	2,120,074.00
17	9/30/2016	2,145,250.00
18	12/31/2016	2,170,725.00
19	3/31/2017	2,196,502.00
20	6/30/2017	2,222,586.00
21	9/30/2017	2,248,979.00

22	12/31/2017	2,275,685.00
23	3/31/2018	2,302,709.00
24	6/30/2018	2,330,054.00
25	9/30/2018	2,357,723.00
26	12/31/2018	2,385,721.00
27	3/31/2019	2,414,052.00
28	6/30/2019	2,442,718.00
29	9/30/2019	2,471,726.00
30	12/31/2019	2,501,078.00
31	3/31/2020	2,530,778.00
32	6/30/2020	2,560,831.00
33	9/30/2020	2,591,241.00
34	12/31/2020	2,622,012.00
35	3/31/2021	2,653,148.00
36	6/30/2021	2,684,654.00
37	9/30/2021	2,716,534.00
38	12/31/2021	2,748,793.00
39	3/31/2022	2,781,435.00
40	6/30/2022	2,814,465.00
41	9/30/2022	2,847,887.00
42	12/31/2022	2,881,705.00
43	3/31/2023	2,915,925.00
44	6/30/2023	2,950,552.00
45	9/30/2023	2,985,590.00
46	12/31/2023	3,021,044.00

47	3/31/2024	3,056,919.00
48	6/30/2024	3,093,220.00
49	9/30/2024	3,129,952.00
50	12/31/2024	3,167,120.00
51	3/31/2025	3,204,729.00
52	6/30/2025	3,242,785.00
53	9/30/2025	3,281,293.00
54	12/31/2025	3,320,259.00
55	3/31/2026	3,359,687.00
56	6/30/2026	3,399,583.00
57	9/30/2026	3,439,953.00
58	12/31/2026	3,480,803.00
59	3/31/2027	3,522,137.00
60	6/30/2027	3,563,963.00
61	9/30/2027	3,606,285.00
62	12/31/2027	3,649,109.00
63	3/31/2028	3,692,442.00
64	6/30/2028	3,736,290.00
65	9/30/2028	3,780,659.00
66	12/31/2028	3,825,554.00
67	3/31/2029	3,870,982.00
68	6/30/2029	3,916,950.00
69	9/30/2029	3,963,464.00
70	12/31/2029	4,010,530.00
71	3/31/2030	4,058,155.00

72	6/30/2030	4,106,346.00
73	9/30/2030	4,155,109.00
74	12/31/2030	4,204,451.00
75	3/31/2031	4,254,379.00
76	6/30/2031	4,304,899.00
77	9/30/2031	4,356,020.00
78	12/31/2031	4,407,748.00
79	3/31/2032	4,460,090.00
80	6/30/2032	4,513,051.00
TOTAL		235,000,000.00

**EXHIBIT D-1
TO CREDIT AGREEMENT**

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Secured Credit Agreement, dated as of July 24, 2012 (as amended, supplemented or modified and in effect from time to time, the "Credit Agreement"; capitalized terms not defined herein shall have the meanings ascribed thereto in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the "Borrower"), the several financial institutions or entities from time to time parties thereto (the "Lenders") and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent (in such capacity, "Administrative Agent"), lead arranger and book runner.

Pursuant to the provisions of Section 3.04(f)(ii)(b)(3) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 881(c)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

**EXHIBIT D-2
TO CREDIT AGREEMENT**

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Secured Credit Agreement, dated as of July 24, 2012 (as amended, supplemented or modified and in effect from time to time, the "Credit Agreement"; capitalized terms not defined herein shall have the meanings ascribed thereto in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the "Borrower"), the several financial institutions or entities from time to time parties thereto (the "Lenders") and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent (in such capacity, "Administrative Agent"), lead arranger and book runner.

Pursuant to the provisions of Section 3.04(f)(ii)(b)(4) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

**EXHIBIT D-3
TO CREDIT AGREEMENT**

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Secured Credit Agreement, dated as of July 24, 2012 (as amended, supplemented or modified and in effect from time to time, the "Credit Agreement"; capitalized terms not defined herein shall have the meanings ascribed thereto in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the "Borrower"), the several financial institutions or entities from time to time parties thereto (the "Lenders") and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent (in such capacity, "Administrative Agent"), lead arranger and book runner.

Pursuant to the provisions of Section 3.04(f)(ii)(b)(4) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 881(c)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

**EXHIBIT D-4
TO CREDIT AGREEMENT**

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Secured Credit Agreement, dated as of July 24, 2012 (as amended, supplemented or modified and in effect from time to time, the "Credit Agreement"; capitalized terms not defined herein shall have the meanings ascribed thereto in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the "Borrower"), the several financial institutions or entities from time to time parties thereto (the "Lenders") and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent (in such capacity, "Administrative Agent"), lead arranger and book runner.

Pursuant to the provisions of Section 3.04(f)(ii)(b)(4) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 881(c)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____
Name:
Title:

Date: _____, 20[]

**EXHIBIT E
TO CREDIT AGREEMENT**

FORM OF SECRETARY'S CERTIFICATE

Pursuant to Section 4.01(c) of the Secured Credit Agreement, dated as of July 24, 2012 (the "Credit Agreement"; unless otherwise defined herein, capitalized terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the "Borrower"), the several financial institutions or entities from time to time parties thereto and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent, lead arranger and book runner, the undersigned Mark A. Bailey, the President and Chief Executive Officer of the Borrower, hereby certifies on behalf of the Borrower that Paula Mitchell is the duly elected and qualified Executive Secretary of the Board of Directors of the Borrower and the signature set forth for such officer below is such officer's true and genuine signature.

The undersigned Executive Secretary of the Borrower hereby certifies as follows:

1. Attached hereto as Annex 1 is a true and complete copy of a Certificate of Good Standing or the equivalent from the Borrower's jurisdiction of organization dated as of a recent date prior to the date hereof.
2. Attached hereto as Annex 2 is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower on May 18, 2012. Such resolutions have not in any way been amended, modified, revoked or rescinded, have been in full force and effect since their adoption to and including the date hereof and are now in full force and effect and are the only corporate proceedings of the Borrower now in force relating to or affecting the matters referred to therein.
3. Attached hereto as Annex 3 is a true and complete copy of the Bylaws of the Borrower as in effect on the date hereof.
4. Attached hereto as Annex 4 is a true and complete certified copy of the Articles of Incorporation of the Borrower as in effect on the date hereof, and such Articles of Incorporation have not been amended, repealed, modified or restated since the date of such certification.
5. The persons listed on the Incumbency Certificate attached hereto as Schedule I are now duly elected and qualified officers or employees of the Borrower holding the offices and positions indicated next to their respective names on the Incumbency Certificate attached hereto as Schedule I, and the signatures appearing opposite their respective names on the Incumbency Certificate attached hereto as Schedule I are the true and genuine signatures of such officers and employees, and each of such officers and employees is duly authorized to execute and deliver on behalf of the Borrower each of the Loan Documents to which it is a party and any certificate or other document to be delivered by the Borrower pursuant to the Loan Documents to which it is a party.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the undersigned have hereunto set our names as of the date set forth below.

Name:
Title:

Name:
Title:

Date: _____ __, 2012

Schedule I
to Secretary's Certificate

NAME

OFFICE

SIGNATURE

Annex 1
to Secretary's Certificate

[Certificate of Good Standing]

[Board Resolutions]

[Bylaws]

[Articles of Incorporation]

**EXHIBIT F
TO CREDIT AGREEMENT**

FORM OF SOLVENCY CERTIFICATE

Pursuant to Section 4.01(j) of the Secured Credit Agreement, dated as of July 24, 2012 (the "Credit Agreement"; unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the "Borrower"), the several financial institutions or entities from time to time parties thereto and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent, lead arranger and book runner, the undersigned [CHIEF FINANCIAL OFFICER OR EQUIVALENT OFFICER] of the Borrower, hereby certifies on behalf of the Borrower that as of the Closing Date, the Borrower is Solvent, and after giving effect to the initial extensions of credit, if any, to be made on the Closing Date, the Borrower will be Solvent.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Solvency Certificate as of this
____ day of July, 2012.

By: _____
Name:
Title:

**EXHIBIT G
TO CREDIT AGREEMENT**

FORM OF COMPLIANCE CERTIFICATE

Pursuant to Section 6.01(e) of the Secured Credit Agreement, dated as of July 24, 2012 (as amended, supplemented or modified and in effect from time to time, the “Credit Agreement”; unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the “Borrower”), the several financial institutions or entities from time to time parties thereto and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent, lead arranger and book runner, the undersigned [insert name of officer or authorized position], the [insert title of office or authorized position] of the Borrower, hereby certifies on behalf of the Borrower as follows:

(A) As of the [quarter]/[year] ending _____, 20__, the statements referenced below (i) have been prepared in accordance with applicable GAAP (in the case of any quarterly financial statements, subject to normal year end audit adjustments and lack of notes) and (ii) are fairly stated in all material respects (subject to normal year end audit adjustments and the lack of notes).

(B) Attached hereto as Schedule 1 are the [quarterly][annual] financial statements for the fiscal period cited above.

(C) [Attached hereto as Schedule 2 (Margin for Interest) are calculations demonstrating the Borrower Margin for Interest Ratio (as defined in the Indenture).]¹

(D) No Default or Event of Default has occurred during the period covered by this Compliance Certificate, except as indicated on a separate page attached hereto, containing a statement as to the nature of such Default or Event of Default, whether such Default or Event of Default is continuing and, if continuing, an explanation of the action taken or proposed to be taken by the Borrower with respect thereto.

[Signature page follows.]

¹ In connection with the delivery of annual financial statements only.

BIG RIVERS ELECTRIC CORPORATION

By: _____
Name:
Title:

Schedule 1 to Compliance Certificate

[Annual][Quarterly] Financials

[Attached]

Schedule 2 to Compliance Certificate

Margin For Interest Ratio

Margins for Interest Ratio is calculated, as of each fiscal year, as calculated in the Indenture in effect on the Closing Date.

As of the fiscal year ended _____, such calculation was as follows:

Margins for Interest:

net margins of the Borrower for such fiscal year² _____

plus

the amount, if any, included in the computation of net margins for accruals for federal and state income and other taxes imposed on income after deduction of interest expense for the fiscal year: _____

plus

the amount, if any, included in the computation of net margins for any losses incurred by any Subsidiary or Affiliate of the Borrower _____

plus

the amount, if any, the Borrower actually receives in the fiscal year as a dividend or other distribution of earnings of any Subsidiary or Affiliate (whether or not such earnings were for the fiscal year or any earlier fiscal year) _____

minus

the amount, if any, included in the computation of net margins for any earnings or profits of any subsidiary or Affiliate of the Borrower _____

minus

the amount, if any, the Borrower actually contributes to the capital of, or actually pays under a guarantee by the Borrower of an obligation of, any Subsidiary or _____

² Net margins shall be determined in accordance with Accounting Requirements (as defined in the Indenture in effect as of the Closing Date) and shall include revenues, subject to a possible refund at a future date, but which shall exclude provisions for any: (i) non-recurring charge to income, whether or not recorded as such on the Borrower's books, of whatever kind or nature (including the non-recoverability of assets or expenses), except to the extent the Board of Directors determines to recover such non-recurring charge in Rates (as defined in the Indenture in effect as of the date of the Credit Agreement), and (ii) refund of revenues collected or accrued by the Borrower in any prior year subject to possible refund.

Affiliate in the fiscal year to the extent of any accumulated losses incurred by such Subsidiary or Affiliate (whether or not such losses were for such fiscal year or any earlier fiscal years), but only to the extent (x) such losses have not otherwise caused other contributions or guarantee payments to be included in net margins for purposes of computing Margins for Interest for a prior fiscal year and (y) such amount has not otherwise been included in net margins: _____

Equal

Interest Charges (as defined in the Indenture in effect as of the date of the Closing Date): _____

Margins for Interest Ratio (sum of (a) Margins For Interest plus (b) Interest Charges, divided by Interest Charges): _____

**EXHIBIT H
TO CREDIT AGREEMENT**

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

Assignment and Assumption Agreement

This Assignment and Assumption Agreement (the “Assignment and Assumption”) is dated as of the Effective Date of Assignment set forth below and is entered into by and between the Assignor (as defined below) and the Assignee (as defined below). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement (as defined below), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date of Assignment inserted by the Administrative Agent as contemplated below (A) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below and (B) to the extent permitted to be assigned under applicable Requirement of Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (A) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (A) and (B) above being referred to herein collectively as the “Assigned Interest”). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor : _____ (the “Assignor”)
2. Assignee : _____ (the “Assignee”)
3. Credit Agreement: Secured Credit Agreement, dated as of July 24, 2012 (as amended, supplemented or modified and in effect from time to time, the “Credit Agreement”), by and among BIG RIVERS ELECTRIC CORPORATION), a Kentucky cooperative corporation (the “Borrower”), the several financial institutions or entities from time to time parties thereto and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent, lead arranger and book runner.
4. Assigned Interest:

Amount of Commitment/Loans Assigned	Percentage of Commitment/Loans Assigned
\$	%
\$	%

\$	%
----	---

5. Effective Date of Assignment: _____, 201__³ (the “Effective Date of Assignment”)

(SIGNATURE PAGES FOLLOW)

³ To be inserted by Administrative Agent and which shall be the effective date of recordation of transfer in the Register therefor.

The terms set forth in this Assignment and Assumption are hereby agreed to:

[Name of Assignee]

[Name of Assignor]

By: _____
Name:
Title:

By: _____
Name:
Title:

Consented⁴ to:

COBANK, ACB, as Administrative Agent

Consented⁵ to:

BIG RIVERS ELECTRIC CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

⁴ Consent of Administrative Agent is not required if the Assignor is assigning its Assigned Interests to an Affiliate of the Assignor, another Lender, an Affiliate of another Lender or an Approved Fund.

⁵ Consent of the Borrower is not required if the Assignor is assigning its Assigned Interests to an Affiliate of the Assignor, another Lender, an Affiliate of another Lender, an Approved Fund or if a Default or an Event of Default has occurred and is continuing.

TO ASSIGNMENT AND ASSUMPTION

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION1. Representations and Warranties.

1.1 Assignor. The Assignor (A) represents and warrants that (1) it is the legal and beneficial owner of the Assigned Interest, (2) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (3) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (B) assumes no responsibility with respect to (1) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (2) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (3) the financial condition of the Borrower or its Affiliates or any other Person obligated in respect of any Loan Document or (4) the performance or observance by the Borrower or its Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (A) represents and warrants that (1) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (2) it satisfies the requirements to be an assignee under the Credit Agreement (subject to such consents, if any, as may be required under the Credit Agreement), (3) from and after the Effective Date of Assignment, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (4) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (5) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to the Credit Agreement, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (6) it has, independently and without reliance upon Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest; and (B) agrees that (1) it will, independently and without reliance on Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (2) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date of Assignment, Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date of Assignment and to the Assignee for amounts which have accrued from and after the Effective Date of Assignment.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an

executed counterpart of a signature page of this Assignment and Assumption by telecopy or by PDF shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the laws of the State of New York.

**EXHIBIT I
TO CREDIT AGREEMENT**

LENDERS' COMMITMENTS

Lender	Commitments	Commitment Percentage
CoBank, ACB	\$235,000,000.00	100%
TOTAL	\$235,000,000.00	100%

**EXHIBIT J
TO CREDIT AGREEMENT**

FORM OF NOTICE OF BORROWING

CoBank, ACB, as Administrative Agent
5500 South Quebec Street
Greenwood Village, Colorado 80111
Facsimile: (303) 740-4002
Attention: Power Supply Division

[Date]

Ladies and Gentlemen:

Pursuant to Section 4.01(q) of the Secured Credit Agreement, dated as of July 24, 2012 (as amended, supplemented or modified and in effect from time to time, the “Credit Agreement”; capitalized terms not defined herein shall have the meanings ascribed thereto in the Credit Agreement), by and between BIG RIVERS ELECTRIC CORPORATION, a Kentucky cooperative corporation (the “Borrower”), the several financial institutions or entities from time to time parties thereto (the “Lenders”) and COBANK, ACB, a federally chartered instrumentality of the United States, as administrative agent (in such capacity, “Administrative Agent”), lead arranger and book runner, the undersigned duly authorized officer of the Borrower hereby requests a borrowing under the Credit Agreement to be made on the Closing Date in the amount of \$235,000,000.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the undersigned has executed this Notice of Borrowing as of the date first set forth above.

BIG RIVERS ELECTRIC CORPORATION

By: _____
Name:
Title:

Litigation

1. ***Eminent Domain Litigation.***

Big Rivers is the plaintiff in several eminent domain proceedings that have been filed to acquire easements for transmission line rights-of-way. The awards of damages against Big Rivers in those cases will be the reduction in the fair market value of the premises over which the transmission line easement is acquired.

2. ***Jane Eckert, on her own behalf and on behalf of the Estate of Robert Eckert, Deceased vs. Alcoa, Inc., Big Rivers Electric Corporation, BMW Constructors, Inc., Bristol-Myers Squibb Company, General Electric Company, Industrial Contractors, Inc., Triangle Enterprises, Inc.,*** Marion County Superior Court, Civil Division Room No. 2, Cause No. 49D02-9801-MI-0001-359.

This action arises from the 2007 death of a worker, Robert Eckert, from asbestos-related disease diagnosed in 1995. The suit was filed July 2, 2007, in Marion County, Illinois. Big Rivers' liability carrier, Zurich Insurance, is defending this action with a reservation of rights.

3. ***Harlen Kennedy, Jr. and Brenda Kennedy, his wife, v. Big Rivers Electric Corporation, et al.,*** 3rd Judicial Circuit, Madison County, Illinois, Case No. 11-L-727.

This action was filed by the plaintiffs in 2011 alleging that Harlen Kennedy, Jr. developed lung cancer from exposure to asbestos while working for a contractor at a Big Rivers facility. Big Rivers' liability carrier, Zurich Insurance, is defending this action with a reservation of rights.

4. ***Pat Maple, as Representative of the Heirs and Estate of Durwood Maple, Deceased v. Big Rivers Electric Corporation, et al.,*** In the Circuit Court of St. Clair County, Illinois, Twentieth Judicial Circuit No. 11-L-59.

This action was filed by the plaintiff in 2011 alleging that Durwood Maple developed and died from lung cancer that resulted from exposure to asbestos while working for a contractor at a Big Rivers facility. Big Rivers' liability carrier, Zurich Insurance, is defending this action with a reservation of rights.

5. ***Big Rivers Electric Corporation v. City of Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light,*** Henderson Circuit Court Civil Action No. 09-CI-00693; ***City of***

Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light v. Big Rivers Electric Corporation, Kentucky Court of Appeals No. 2010-CA-000120-MR; ***In the Matter of Arbitration Between: Big Rivers Electric Corporation v. City of Henderson, Kentucky and City of Henderson Utility Commission dba Henderson Municipal Power and Light***, American Arbitration Association, Case No. 52-198-000173-10.

Big Rivers filed suit in Henderson, Kentucky, Circuit Court on July 31, 2009, requesting an order referring to arbitration a dispute with the City of Henderson, Kentucky and City of Henderson Utility Commission (collectively, “HMP&L”). The dispute was over the rights of the parties respecting “Excess Henderson Energy,” as that term is defined in the contracts by which Big Rivers operates HMP&L’s Station Two and receives a portion of the generation output of Station Two. The order of the Henderson Circuit Court directing arbitration was appealed to the Kentucky Court of Appeals, and the contractual dispute was referred to the American Arbitration Association (“AAA”).

The AAA arbitration panel issued its award on May 31, 2012, finding, among other things, that “excess energy shall be considered to belong to [HMP&L] which it may offer to third parties subject to Big Rivers first right to purchase such energy” at “the price at which [HMP&L] has a firm offer from a third party.” On June 26, 2012, attorneys for the City of Henderson issued a demand to Big Rivers for the amount of \$3,753,013.09, which purportedly represents the amount of fixed costs associated with Excess Henderson Energy from August 2009 to May 30, 2012 minus a credit to Big Rivers for the \$1.50 for each MWh taken (the “*Fixed Costs Demand*”). Big Rivers and its counsel are still analyzing the implications of the award, Big Rivers’ options under the circumstances and the recent demand letter from the City of Henderson. In 2009, Western Kentucky Energy Corp. (“WKEC”) and Big Rivers entered into an Indemnification Agreement relating to the Station Two Power Sales Contract and losses Big Rivers might suffer as a result of an adverse decision of a court or arbitration panel on the excess energy issue. By letter dated July 17, 2012, WKEC took the position that the Fixed Costs Demand does not, at this point, give rise to an indemnifiable claim.

6. *SERC Investigation*

Big Rivers is currently the subject of a non-public investigation initiated in February 2009 by SERC Reliability Corporation (“*SERC*”), one of the North America Electric Reliability Corporation’s (“*NERC’s*”) regional entities with

responsibility for enforcing mandatory reliability standards. The staff from NERC and the Federal Energy Regulatory Commission also participated in the investigation. In June 2011, SERC initiated a formal assessment to determine Big Rivers' compliance relative to eight Reliability Standards Requirements as a result of findings of possible violations by the investigation team. Two of those items have been dismissed. The assessment is still ongoing.

7. *Secretary of the Labor Cabinet Commonwealth of Kentucky v. Big Rivers Electric Corporation*, KOSHRC Docket No. 4833-11, Administrative Action No. 11-KOSH-0290.

This complaint was filed by the plaintiff in 2011, subsequent to Big Rivers having contested a citation issued by KOSHA. The administrative hearing officer has granted extensions requested by KOSHA counsel to allow time for settlement negotiations, which have yet to take place. The penalties assessed with the citation total \$7,500.

8. *Oxford Mining - Kentucky, LLC v. Big Rivers Electric Corporation*, Ohio Circuit Court Civil Action No. 12-CI-00160.

Oxford Mining Company - Kentucky, LLC ("Oxford") filed this civil action against Big Rivers on April 26, 2012, alleging that Big Rivers breached a coal supply agreement with Oxford by terminating that agreement on March 2, 2012. Oxford alleges that it has suffered damage, including lost profits, as a result of the alleged wrongful termination of the Agreement. Big Rivers has asserted a counterclaim against Oxford based on damages Big Rivers suffered as the result of delivery to Big Rivers' generating stations by Oxford of coal that failed to meet contract specifications. This litigation is in its early stages.

9. *Innovatio IP Ventures, LLC Patent Infringement Claim*

Big Rivers received a letter from Innovatio IP Ventures, LLC ("Innovatio") on May 16, 2012, asserting that Big Rivers has infringed upon certain patents owned by Innovatio. Big Rivers' information at this point is that Innovatio is involved in a nationwide letter writing campaign asserting its patents against certain wireless local area network ("WLAN") products. Innovatio's letters are directed to end users of WLAN products, which Innovatio asserts infringe upon patents it owns. In its letter, Innovatio demands that the end user purchase licenses to use Innovatio patents, or face a patent infringement lawsuit. Innovatio did not assert a claim against the manufacturers of the products that it claims infringe upon its patents; only the end users.

The Innovatio letters initially targeted entities such as coffee shop, grocery and hotel chains that offer wireless internet access through WLAN products. In the last year, electric cooperatives around the nation have been receiving the letters.

Innovatio has filed claims against several WLAN end user defendants in federal courts in Illinois, Nevada and Florida. Innovatio was subsequently sued in federal court in Delaware by Cisco Systems, Inc. and Motorola Solutions, Inc., companies that control a substantial share of the WLAN product market. They seek, among other things, a declaratory judgment voiding the Innovatio patents.

10. *The City of Henderson Utility Commission v. Michael C. Donta, Executive Director of the Department of Workplace Standards, Big Rivers Electric Corporation, et al*, Henderson Circuit Court, Civil Action No. 10-CI-898.

The Kentucky Labor Cabinet served a Notice of Violation on Henderson Municipal Power & Light (“HMP&L”) on April 27, 2010, alleging that HMP&L had violated prevailing wage laws by failing to stipulate in bid proposals that prevailing hourly rate of wages must be paid to all laborers, workmen, and mechanics performing work on the Station Two spring 2010 scheduled outage. This is a declaratory judgment action, which asks the court to decide whether the value of the individual projects related to the outage work on a generating station must be combined for purposes of determining coverage under prevailing wage laws in Kentucky. Big Rivers was joined in, and has an interest in this action because it operates the HMP&L Station Two, purchases a majority of the output of Station Two, and is responsible for the costs of Station Two generally proportionate to its capacity take. This case is set for trial in December of 2012.

11. *Notice and Application of Big Rivers Electric Corporation for a General Adjustment in Rates*, PSC Case No. 2011-00036.

Big Rivers filed a notice and application for a general adjustment in rates with the Public Service Commission (“Commission”) on March 1, 2011. The Commission entered its final order on November 17, 2011. After several appeals and procedural events, this case is back before the Commission for a rehearing on four issues raised by Big Rivers, and three issues raised by an intervenor, Kentucky Industrial Utility Customers, Inc.

12. *In the Matter of: Application of Big Rivers Electric Corporation for Approval of its 2012 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account*, P.S.C. Case No. 2012-00063.

Big Rivers filed an application with the Commission on April 2, 2012, seeking approval of its 2012 Environmental Compliance Plan (“Plan”), certificates of public convenience and necessity for the capital projects required to implement the plan

and related approvals, including an amendment to its environmental surcharge that would allow Big Rivers to recover the incremental costs of its Plan. The Commission has granted intervention to the Kentucky Attorney General, Kentucky Industrial Utility Customers, Inc., the Sierra Club and Ben Taylor. By law, the Commission must issue its decision on the issues before it by October 2, 2012.

Schedule 5.03

Consents

None

Subsidiaries, Members and Affiliates

Subsidiaries

None

Members

Kenergy Corp.
Meade County Rural Electric Cooperative Corporation
Jackson Purchase Energy Corporation

Affiliates

None

Environmental Matters

None

Schedule 5.17

Member Wholesale Power Contracts and Material Direct Serve Contracts

1. Wholesale Power Contract made as of October 14, 1977, between the Company and Jackson Purchase Rural Electric Cooperative Corporation, as amended.
2. Wholesale Power Contract made as of June 11, 1962 between the Company and Meade County Rural Electric Cooperative Corporation, as amended.
3. Wholesale Power Contract made as of June 11, 1962 between the Company and Kenergy Corp. (successor by consolidation to Henderson Union Electric Cooperative Corp.), as amended.
4. Wholesale Power Contract made as of June 11, 1962 between the Company and Kenergy Corp. (successor by consolidation to Green River Electric Corporation), as amended.
5. Agreement dated October 12, 1974 by and between the Company and Kenergy Corp. (successor by consolidation to Henderson Union Electric Cooperative Corp.), as amended.
6. Agreement dated October 12, 1974 by and between the Company and Kenergy Corp. (successor by consolidation to Green River Electric Corporation) as amended and restated by an Agreement dated February 16, 1988, as amended.
7. Agreements dated as of July 15, 1998 between the Company and Kenergy Corp. (successor by consolidation to Green River Electric Corporation and Henderson Union Electric Cooperative Corp.).
8. Wholesale Electric Service Agreement (Alcan) dated July 16, 2009 by and between the Company and Kenergy Corp.
9. Wholesale Electric Service Agreement (Century) dated as of July 16, 2009 by and between the Company and Kenergy Corp.
10. Amendment No. 1 to Wholesale Electric Service Agreement (Alcan) dated as of September 20, 2011, between Big Rivers Electric Corporation and Kenergy Corp.
11. Amendment No. 1 to Wholesale Electric Service Agreement (Century) dated as of September 20, 2011, between Big Rivers Electric Corporation and Kenergy Corp.]
12. Amendment to Wholesale Power Contracts dated August 1, 2009, between Big Rivers Electric Corporation and Kenergy Corp. Amending the Wholesale Power Contracts made as of June 11, 1962.
13. Amendment No. 4 dated as of August 1, 2009, to Wholesale Power Contract dated June 11, 1962 between Big Rivers Electric Corporation and Meade Country Rural Electric Cooperative Corporation.

14. Amendment No. 3 dated as of August 1, 2009, to Wholesale Power Contract dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Energy Corporation.
15. Second Amended and Restated Wholesale Power Agreement between Big Rivers Electric Corporation and Kenergy Corp. dated as of January 21, 2011 (Domtar Paper Company, LLC).
16. Letter Agreement dated December 9, 2008, between Big Rivers Electric Corporation and Kenergy Corp. (Kimberly-Clark Corporation)
17. Letter Agreement dated May 20, 2011, between Big Rivers Electric Corporation and Kenergy Corp. (Aleris Rolled Products, Inc)

Material Indebtedness

18. **\$83,300,000 in connection with the County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds, Series 2010 A.**
 - (a) First Supplemental Indenture dated as of June 1, 2010, Relating to the Big Rivers Electric Corporation First Mortgage Note, Series 2010A from Big Rivers Electric Corporation to U.S. Bank National Association, trustee (“Trustee”) relating to the issuance of Big Rivers Electric Corporation First Mortgage Note, Series 2010 A in the principal amount of \$83,300,000 and payable to the Trustee.
 - (b) Loan Agreement, dated as of June 1, 2010, between Big Rivers Electric Corporation and the County of Ohio, Kentucky, relating to a loan in the amount of \$83,300,000 evidenced by the First Mortgage Note, Series 2010 A.

19. **\$58,800,000 in connection with the County of Ohio, Kentucky, Pollution Control Floating Rate Demand Bonds, Series 1983 maturing on June 1, 2013 (the “1983 Bonds”).**
 - (a) Loan Agreement, dated as of June 1, 1983, between Big Rivers Electric Corporation and the County of Ohio, Kentucky, relating to a loan in the amount of \$58,800,000.
 - (b) Ambac Municipal Bond Insurance Policy Series 1983 Note, dated July 16, 2009, reflecting the obligation of Big Rivers Electric Corporation to pay Ambac for any payments of principal and interest in respect of the \$58,800,000 1983 Bonds.
 - (c) Reimbursement Agreement, dated as of July 15, 1998, between Big Rivers Electric Corporation and Ambac relating to payments with respect to the 1983 Bonds.
 - (d) Standby Bond Purchase Agreement among Big Rivers Electric Corporation, U.S. Bank National Association and Credit Suisse First Boston (subsequently assigned to Dexia Credit Local), dated July 17, 1998, relating to the 1983 Bonds.
 - (e) Promissory Note, made by Big Rivers Electric Corporation to Dexia Credit Local, in the principal amount of \$58,800,000.

20. **Revolving Line of Credit Agreement dated as of July 16, 2009, between Big Rivers Electric Corporation and National Rural Utilities Cooperative Finance Corporation in the amount of \$50,000,000.**

21. **Revolving Credit Agreement dated as of July 16, 2009, between Big Rivers Electric Corporation and CoBank, ACB in the amount of \$50,000,000.¹**
22. **RUS 2009 Promissory Note Series A, dated July 16, 2009, made by the Company to the United States of America, in the principal amount of \$602,573,536, maturing on July 1, 2021.**
23. **RUS 2009 Promissory Note Series B, dated July 16, 2009, made by the Company to the United States of America, in the amount at final maturity of \$245,530,257.30, maturing December 31, 2023.**

¹ To be replaced with Senior Unsecured Revolving Credit Facility, dated as of June 29, 2012, among Big Rivers Electric Corporation, the several financial institutions or entities from time to time parties thereto and CoBank, ACB, as administrative agent, issuing lender, lead arranger and book runner.

Voting Participants

AgFirst Farm Credit Bank
Farm Credit Bank of Texas
Farm Credit East, ACA
Northwest Farm Credit Services, FLCA

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code") and Title XIII of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Bonds is exempt from all present Kentucky personal and corporate income taxes. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."


\$83,300,000
COUNTY OF OHIO, KENTUCKY
Pollution Control Refunding Revenue Bonds, Series 2010A
(Big Rivers Electric Corporation Project)

Dated: Date of Delivery

Due: July 15, 2031

The County of Ohio, Kentucky (the "County"), Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) (the "Bonds") are limited obligations of the County, payable solely out of the Receipts and Revenues (as defined herein) of the County received under the Financing Agreement (as defined below) and certain other funds pledged therefor under the Bond Indenture (as defined herein), and do not constitute a debt of the County within the meaning of any constitutional or statutory limitation. The Bonds are not general obligations of the County and do not constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The Receipts and Revenues received by the County include payments sufficient to pay in full the principal of and interest on the Bonds when due, to be made by,



Your Touchstone Energy® Cooperative 

The proceeds from the sale of the Bonds will be used to refund the entire outstanding principal amount of the County's Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARSSM) (the "Refunded Bonds"). The Refunded Bonds were issued to refund bonds previously issued by the County to finance a portion of Big Rivers' cost of certain pollution control and solid waste disposal facilities at Big Rivers' D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographical boundaries of the County.

In connection with the issuance of the Bonds, the County and Big Rivers will enter into a loan agreement (the "Financing Agreement") with respect to the Bonds under which the County will loan to Big Rivers funds equal to the principal amount of the Bonds, and Big Rivers will be obligated to repay such loan in amounts equal to the principal and interest payments relating to the Bonds when due. Big Rivers' loan repayment obligations will be evidenced by a note of Big Rivers, which will be an obligation under Big Rivers' Mortgage Indenture (as defined herein), secured equally and ratably with other Mortgage Indenture Obligations (as defined herein) by a mortgage lien on substantially all of the owned tangible and certain of the intangible assets of Big Rivers, subject to certain exceptions and exclusions as described herein.

U.S. Bank National Association is the Trustee, Paying Agent and Registrar under the Bond Indenture, and the trustee under Big Rivers' Mortgage Indenture.

The Bonds are subject to optional redemption, as described herein.

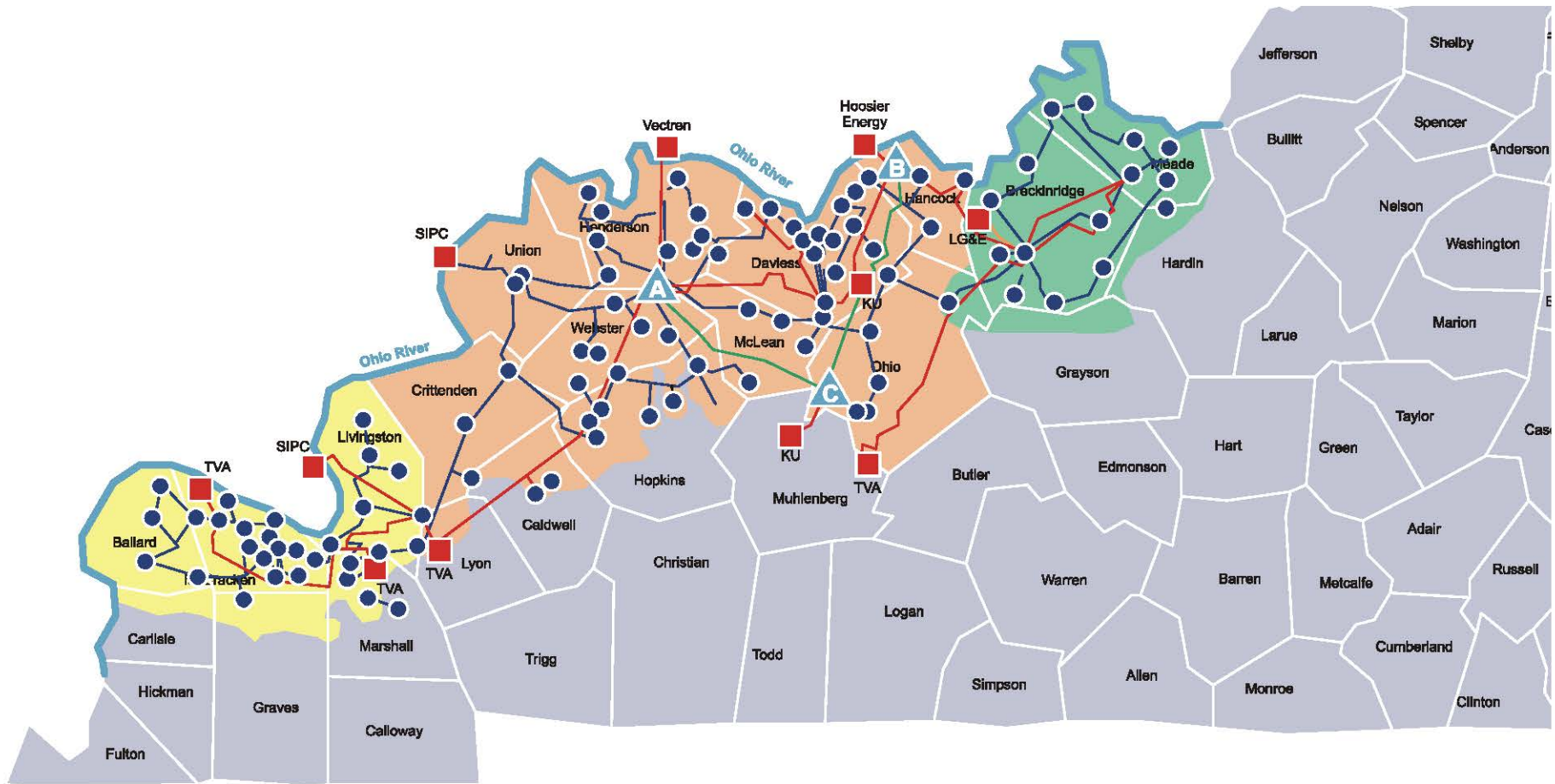
<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
\$83,300,000	6.00%	100.00%	677288AG7

The Bonds will be issued in fully-registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and purchases of beneficial ownership interests in the Bonds will be made in book-entry only form. The Bonds will be issued in initial denominations of \$5,000 or in any integral multiple thereof. Actual purchasers of the beneficial ownership interests in the Bonds will not receive certificates representing their interest in such Bonds. Semiannual interest on the Bonds is payable on January 15 and July 15, commencing on January 15, 2011. So long as Cede & Co. is the registered owner, references herein to the holder or registered owner of the Bonds, including for the purpose of receiving notices under the Bond Indenture, shall mean Cede & Co., and shall not mean such beneficial owners. So long as Cede & Co. or another nominee of DTC is the registered owner of the Bonds, payments of the principal of and premium, if any, and interest on the Bonds will be made directly to DTC or its nominee. Disbursement of such payments to participants in DTC is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of those participants.

The Bonds are offered, subsequent to prior sale, when, as and if issued and accepted by Goldman, Sachs & Co. (the "Underwriter"), subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters in connection with the Bonds are subject to the approval of Sutherland Asbill & Brennan LLP, Counsel to the Underwriter. Certain legal matters will be passed upon for Big Rivers by Sullivan, Mounjoy, Stainback & Miller PSC, General Counsel for Big Rivers. Certain legal matters for the County will be passed upon by Greg Hill, Esq., counsel to the County. It is expected that delivery of the Bonds will be made on or about June 8, 2010.

Goldman, Sachs & Co.

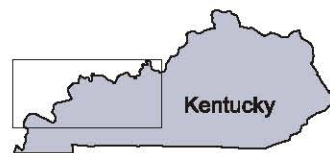
May 27, 2010



- Jackson Purchase Energy
- Kenergy Corp.
- Meade County RECC

- A Reed Plant Unit 1
Green Plant Unit 1,2
HMP&L Station Two
- B Coleman Plant
Unit 1,2,3
- C D.B. Wilson
Unit 1

- 69 kV
- 138 kV
- 161 kV
- 345 kV
- Interconnection
- Power Plant
- Substation



Big Rivers Electric Corporation

201 Third Street
Henderson, Kentucky 42420

Officers

Mark A. Bailey, President and Chief Executive Officer
C. William Blackburn, Senior Vice President of Financial & Energy Services
and Chief Financial Officer

Senior Staff

Robert W. Berry, Vice President of Production
David G. Crockett, Vice President of System Operations
James V. Haner, Vice President of Administrative Services
Mark A. Hite, Vice President of Accounting
Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management

Directors

William C. Denton, Chair
James G. Sills, Vice Chair
Lee Bearden, Secretary-Treasurer
Paul Edd Butler
Larry F. Elder
Louis Wayne Elliott

Members

Kenergy Corp.
Jackson Purchase Energy Corporation
Meade County Rural Electric Cooperative Corporation

Counsel to Big Rivers

Sullivan, Mountjoy, Stainback & Miller PSC
Owensboro, Kentucky

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
New York, New York

Independent Public Accountants

Deloitte & Touche LLP
Chicago, Illinois

Trustee

U.S. Bank National Association
Hartford, Connecticut

Counsel to Underwriter

Sutherland Asbill & Brennan LLP
Atlanta, Georgia

No dealer, broker, salesperson or other person has been authorized to give any information or to make representations, other than as contained in this Offering Statement, and if given or made, such other information or representations must not be relied upon. This Offering Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by Big Rivers and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in Big Rivers' affairs or the affairs of the County. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The Underwriter has provided the following sentence for inclusion in this Offering Statement: The Underwriter has reviewed the information in this Offering Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND BIG RIVERS AND THE TERMS OF THE OFFERING OF THE BONDS, INCLUDING THE MERITS AND RISKS INVOLVED.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH OR RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, NO SUCH COMMISSION OR REGULATORY AUTHORITY HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS. IN THIS RESPECT, THE WORDS "MAY," "WILL," "FORECAST," "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE BASED ON THE CURRENT EXPECTATIONS OF THE PARTY MAKING SUCH STATEMENTS AS WELL AS ASSUMPTIONS MADE BASED ON THE INFORMATION CURRENTLY AVAILABLE TO SUCH PARTY. A NUMBER OF IMPORTANT FACTORS AFFECTING OUR BUSINESS AND FINANCIAL RESULTS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS ARE DISCLOSED IN THIS OFFERING STATEMENT. FOR ADDITIONAL FACTORS THAT COULD AFFECT THE VALIDITY OF OUR FORWARD-LOOKING STATEMENTS, YOU SHOULD READ THE SECTIONS ENTITLED "RISK FACTORS" AND "RATE AND ENVIRONMENTAL REGULATION" HEREIN. IN LIGHT OF THESE AND OTHER RISKS, UNCERTAINTIES AND ASSUMPTIONS, ACTUAL EVENTS OR RESULTS MAY BE MATERIALLY DIFFERENT FROM THOSE EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS IN THIS

OFFERING STATEMENT, OR MAY NOT OCCUR. NEITHER WE NOR THE COUNTY HAVE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

[This page intentionally left blank]

SUMMARY

The following summary contains information about Big Rivers Electric Corporation (“Big Rivers”); as used in this Offering Statement, “we,” “us” and “our” also refer to Big Rivers), the County of Ohio, Kentucky (the “County”), the offering and the terms of the Bonds (as defined herein) that we believe is important. You should read this entire Offering Statement, including our financial statements and the accompanying notes in Appendix A and our Members’ (as defined herein) information in Appendix B, for a complete understanding of our operations, the offering and the Bonds.

- County of Ohio** The County, located in western Kentucky, is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The County was and is authorized and empowered by law, including particularly the provisions of the Industrial Building Revenue Bond Act (Sections 103.200 through 103.285, inclusive) of the Kentucky Revised Statutes, as amended (the “Act”), to finance certain pollution control and solid waste disposal facilities, including the Facilities as described below, and to enter into and perform its obligations under the Financing Agreement and the Bond Indenture (each, as defined herein). Except for the information in this paragraph and the information solely with respect to the County under the captions “COUNTY OF OHIO, KENTUCKY” and “LITIGATION – Litigation Involving the County” the County did not participate in the preparation of this Offering Statement and does not have or assume any responsibility as to the accuracy or completeness of any information herein, all of which information has been furnished by others.
- Big Rivers Electric Corporation** We were formed in 1961 as a not-for-profit generation and transmission (“G&T”) cooperative corporation. We are based in Henderson, Kentucky, and are principally engaged in the business of providing wholesale electric service to our three member electric distribution cooperatives. The Members (as defined herein) of Big Rivers are local consumer-owned distribution cooperatives providing retail electric service on a not-for-profit basis to their customers, who are their members. The customer base of our Members generally consists of residential, commercial and industrial consumers, including two large aluminum smelters (the “Smelters”), within specific geographic areas. The Members provide electric power and energy to customers located in portions of 22 western Kentucky counties. See “BIG RIVERS ELECTRIC CORPORATION,” “THE SMELTER AGREEMENTS” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS.”

Our principal office is located at 201 Third Street, Henderson, Kentucky 42420. Our telephone number is (270) 827-2561. Our website is www.bigrivers.com.

Facilities The pollution control facilities being refinanced are located at Big Rivers’ D.B. Wilson Plant Unit No. 1 (the “Facilities”), a coal-fired steam electric generating plant located within the geographical boundaries of the County (the “Wilson Plant”).

The Offering

Securities Offered..... Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project), due July 15, 2031, in the aggregate principal amount of \$83,300,000 (the “Bonds”).

The Bonds are limited obligations of the County, payable solely from amounts received by the County from us under the Financing Agreement and certain other funds pledged under the Bond Indenture, and do not constitute a debt of the County within the meaning of any constitutional or statutory limitation. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE.”

Interest Payment Dates..... The Bonds will bear interest at 6.00 percent per annum. We will pay interest on the Bonds semiannually on January 15 and July 15 of each year, commencing January 15, 2011. See “DESCRIPTION OF THE BONDS – General.”

Optional Redemption..... On or after July 15, 2020, we may redeem the Bonds, in whole or in part, prior to their stated maturity, at our option. See “DESCRIPTION OF THE BONDS – Redemption of Bonds – *Optional Redemption*.”

Bond Indenture The Bonds will be issued under a Trust Indenture, dated as of June 1, 2010 (the “Bond Indenture”), between the County and U.S. Bank National Association, as trustee (the “Trustee”). See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE.”

Financing Agreement..... We and the County will enter into a Loan Agreement, dated as of June 1, 2010 (the “Financing Agreement”), with respect to the Bonds under which the County will loan to us funds equal to the principal amount of the Bonds. We will be obligated to repay such loan in amounts equal to the principal and interest payments relating to the Bonds when due. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND THE NOTE.”

The Note..... Our payment obligations under the Financing Agreement will be evidenced by a note (the “Note”), which will be an obligation under the Mortgage Indenture (as defined herein), secured equally and ratably by a mortgage lien on substantially all of our owned tangible and certain of our intangible assets, subject to certain exceptions and exclusions. See APPENDIX C – “SUMMARY OF CERTAIN

PROVISIONS OF THE FINANCING AGREEMENT AND THE NOTE” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE.”

Use of Proceeds..... The proceeds from the sale of the Bonds will be used to refund the entire outstanding principal amount of the County’s Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARSSM) (the “Refunded Bonds”). See “USE OF PROCEEDS.”

Tax Exemption Under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel has expressed no opinion as to the status of interest on any Bond during any period that such Bond is held by a “substantial user” of facilities financed or refinanced with the proceeds of the Bonds or by a “related person” within the meaning of 103(b)(13) of the Internal Revenue Code of 1954, as amended. Interest on the Bonds is exempt from all present Kentucky personal and corporate income taxes. See “TAX MATTERS.”

Big Rivers Electric Corporation

Cooperative Principles..... We are organized as a cooperative. A cooperative is a business organization owned by its members, which also are its customers. Cooperatives are created to provide goods or services to their members on a not-for-profit basis. See “BIG RIVERS ELECTRIC CORPORATION.”

Recent Changes in Business Structure. In July 2009, we terminated an arrangement under which Western Kentucky Energy Corp. (“WKEC”), a wholly-owned subsidiary of E.ON U.S. LLC (“E.ON”), had leased from us all of the power supply resources we owned. Under this arrangement, WKEC had assumed responsibility for the operation of our generating facilities and for the operation of Station Two (“Station Two”), two coal-fired units owned by the City of Henderson though Henderson Municipal Power & Light (“HMP&L”) we previously operated. Under this arrangement we purchased power from LG&E Energy Marketing, Inc. (“LEM”), another wholly-owned subsidiary of E.ON, to serve our Member load.

In July 2009, we terminated these arrangements. We again operate all of our owned generating facilities and Station Two. Further, the power sales agreement under which we previously purchased power from LEM has been terminated. See “BIG RIVERS ELECTRIC CORPORATION – Bankruptcy and Subsequent Operation” and “GENERATION AND TRANSMISSION ASSETS.” In connection with the termination of these arrangements, we assumed responsibility for supplying our Member, Kenergy Corp. (“Kenergy”), with

approximately 850 MW of power that is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters. See “THE SMELTER AGREEMENTS” and APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS.”

Power Supply Resources Our power supply resources consist of 1,444 MW of owned generation resources and up to an additional 390 MW available to us under power purchase arrangements. See “GENERATION AND TRANSMISSION ASSETS.”

Our generation resources consist of:

- 443 MW of net nameplate capacity from the Kenneth C. Coleman Plant, a three unit, coal-fired steam electric generating station located near Hawesville, Kentucky.
- 454 MW of net nameplate capacity from the Robert D. Green Plant, a two unit, coal-fired steam electric generating station located near Sebree, Kentucky.
- 417 MW of net nameplate capacity from the Wilson Plant, a single coal-fired, balanced draft steam electric generating unit, located near Centertown, Kentucky on the Green River.
- 130 MW of net nameplate capacity from the Robert A. Reid Plant (the “Reid Plant”), located near Sebree, Kentucky, which includes a 65 MW coal-fired steam electric generating unit and a 65 MW oil-or natural gas-fired combustion turbine generating unit.

Our long-term power purchase arrangements consist of:

- a power sales contract with HMP&L which entitles us to purchase up to 212 MW from HMP&L’s Station Two through May 31, 2010, a coal fired generating plant, which we operate. Beginning June 1, 2010, our capacity share will decrease to 207 MW.
- a power purchase agreement with the Southeastern Power Administration (“SEPA”) which entitles us to purchase up to 178 MW. We normally use our entitlement under this contract for peaking; however, as a result of problems with certain dams, our capacity entitlement has been suspended and we currently are receiving only energy under this arrangement.

Our Members Our Members are Kenergy, Meade County Rural Electric Cooperative Corporation (“Meade”) and Jackson Purchase Energy Corporation (“Jackson Purchase”, and collectively with Kenergy and Meade, our “Members”). See “OUR MEMBERS.”

Wholesale Power Contracts Each of Meade, Jackson Purchase and Kenergy is party to a wholesale power contract with us (the “All Requirements

Contracts”). The All Requirements Contracts provide that we are obligated to sell and deliver to the Member, and the Member is obligated to purchase and receive from us, all the electric power and energy which the Member requires for the operation of the Member’s system, except Kenergy’s requirements for the Smelters, to the extent that we have power and energy and facilities available. Each contract extends through December 31, 2043.

Smelter Agreements..... In addition to the All Requirements Contracts, we and Kenergy are parties to two wholesale electric service agreements (the “Smelter Agreements”) under which we provide approximately 850 MW of power which is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters. The Smelter Agreements terminate on December 31, 2023; however, they are terminable upon various conditions with one year’s notice to Kenergy and us. Kenergy’s obligations to purchase electric service from us to serve the Smelters are exceptions to the “all requirements” obligations in Kenergy’s All Requirements Contracts. See “THE SMELTER AGREEMENTS” and APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS.”

Our Mortgage Indenture

Security for the Bonds The Note will be secured equally and ratably with all our other obligations issued under the Indenture dated as of July 1, 2009, as supplemented and amended (the “Mortgage Indenture”), between us and U.S. Bank National Association, as trustee (the “Mortgage Indenture Trustee”). Obligations are secured under the Mortgage Indenture by a mortgage lien on substantially all of our owned tangible and certain of our intangible properties, including our electric generation and transmission facilities and certain of our contracts relating to the purchase, sale or transmission of electricity of more than one year in duration and relating to the ownership, operation or maintenance of electric generation, transmission or distribution facilities owned by us, but excluding certain exceptions set forth in the Mortgage Indenture. The lien of the Mortgage Indenture also extends to revenue generated from the sale or transmission of electricity under certain of these contracts. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE.”

Rate Covenant The Mortgage Indenture obligates us to establish and collect rates that, subject to any necessary regulatory approvals, are reasonably expected to yield “Margins for Interest” equal to at least 1.10 times our total “Interest Charges” for each fiscal year on debt secured under or prior to or on a parity with the lien of the Mortgage Indenture.

See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

OPERATIONS – Cooperative Operations – *Coverage Ratios.*” For the definitions of “Margins for Interest” and “Interest Charges,” see APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants.”

Additional Obligations..... As long as we are in compliance with the financial test required under the Mortgage Indenture relating to Margins for Interest, we may issue additional indebtedness or other obligations under the Mortgage Indenture. The amount of additional obligations we may issue is based on the amount of specified property additions that have been certified to the Mortgage Indenture Trustee, the principal amount of Mortgage Indenture Obligations previously retired or defeased, and deposits of cash and certain securities previously made with the Mortgage Indenture Trustee, among other things. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Additional Mortgage Indenture Obligations.”

Limitation on Distributions to Members..... The Mortgage Indenture prohibits us from making any distribution, including any dividends, or payments of, or retirements of, patronage capital to our Members if at the time of or as a result of such distribution:

- we are in default under the Mortgage Indenture;
- our aggregate margins and equities as of the end of our most recent fiscal quarter would be less than 20% of our total long-term debt and equities; or
- the aggregate amount expended for all distributions on or after the date on which our aggregate margins and equities first reached 20% of our long-term debt and equities shall exceed 35% of our aggregate net margins earned after such date. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants.”

Notwithstanding the foregoing and so long as we are not in default under the Mortgage Indenture, we may declare and make distributions at any time if, after giving effect thereto, our aggregate margins and equities as of the end of our most recent fiscal quarter would have been not less than 30% of our total long-term debt and equities as of such date.

As of December 31, 2009, our equity to total capitalization ratio was 31%, and we could have distributed approximately \$21.8 million to our Members under the criteria described above.

SUMMARY FINANCIAL DATA

The summary financial data below present selected historical information relating to our financial condition and results of operations. Summary financial data for the three months ended March 31, 2010 that are presented below are unaudited, and reflect all adjustments that we consider necessary (consisting of normal recurring accruals) for a fair presentation of such data. The Balance Sheet data as of December 31, 2009 and 2008 and the Statement of Operations data for years ended December 31, 2009, 2008 and 2007 were derived from our audited financial statements included in APPENDIX A. The Balance Sheet data as of December 31, 2007 and the Statement of Operations data for the years ended December 31, 2006 and 2005 were derived from our audited financial statements for those years. You should read the information contained in this table together with our financial statements, the related notes to the financial statements and the discussion of this information in “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS” included in this Offering Statement.

	Three Months Ended	Years Ended December 31,				
	March 31, 2010	2009	2008	2007	2006	2005
	(in thousands)	(in thousands)				
Statement of Operations Data:						
Operating Revenues	\$137,194	\$373,360	\$273,181	\$329,870	\$258,588	\$248,955
Operating Expenses.....	115,642	317,668	178,542	231,836	170,260	168,196
Electric Operating Margins.....	21,552	55,692	94,639	98,034	88,328	80,759
Interest Expense and Other.....	12,123	63,207	79,578	70,954	70,370	68,872
Non-operating margin	102	538,845	12,755	20,097	16,584	14,456
Net margin	\$ 9,531	\$531,330	\$ 27,816	\$ 47,177	\$ 34,542	\$ 26,343

	As of March 31,	As of December 31,		
	2010	2009	2008	2007
	(in thousands, except ratios)			
Balance Sheet Data:				
Assets:				
Utility plant, net	\$1,081,552	\$1,078,274	\$ 912,699	\$ 911,634
Other assets	407,563	427,209	161,737	402,524
Total assets	\$1,489,115	\$1,505,483	\$1,074,436	\$1,314,158
Equities and Liabilities:				
Capitalization	\$1,204,808	\$1,213,759	\$ 832,747	\$1,032,099
Current Liabilities	66,863	67,165	78,091	68,187
Deferred Credits and other	217,444	224,559	163,598	213,872
Total equities and liabilities	\$1,489,115	\$1,505,483	\$1,074,436	\$1,314,158
Other Financial Data:				
Equity ratio ⁽¹⁾	32%	31%	-19%	-17%
Margins for Interest ratio ⁽²⁾⁽³⁾	1.78	9.87	1.45	1.64

(1) Our equity ratio is calculated by dividing total equity by total capitalization.

(2) Our Margins for Interest ratio is calculated by dividing our Margins for Interest by Interest Charges, both as defined in the Mortgage Indenture. We became subject to the Mortgage Indenture in 2009; prior to 2009, we did not have a required MFI Ratio (as defined herein). The Mortgage Indenture obligates us to establish and collect rates that, subject to any necessary regulatory approvals, are reasonably expected to yield Margins for Interest equal to at least 1.10 times our Interest Charges for each fiscal year. In addition, the Mortgage Indenture requires a showing of our having met this requirement for certain historical periods as a condition for issuing additional obligations under the Mortgage Indenture. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants” and “– Additional Mortgage Indenture Obligations.”

(3) See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Financial Condition – As of March 31, 2010” for a discussion of our projected MFI Ratio for the year ending December 31, 2010.

[This page intentionally left blank]

INTRODUCTION

The purpose of this Offering Statement, which includes the cover page and Appendices hereto, is to provide information in connection with the issuance and sale by the County of Ohio, Kentucky (the “County”) of its Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) in the aggregate principal amount of \$83,300,000 (the “Bonds”). The Bonds will be issued pursuant to the Constitution and laws of the Commonwealth of Kentucky, including particularly the provisions of Kentucky Revised Statutes Sections 103.200 through 103.285, inclusive (the “Act”). The Bonds will be issued under the terms and conditions of a Trust Indenture, dated as of June 1, 2010 (the “Bond Indenture”), between the County and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued for the benefit of Big Rivers Electric Corporation (“Big Rivers”); as used in this Offering Statement, “we,” “us” and “our” also refer to Big Rivers), a non-profit rural electrical cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky.

USE OF PROCEEDS

The proceeds from the sale of the Bonds will be used to refund the entire outstanding principal amount of the County’s Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARSSM) (the “Refunded Bonds”). The Refunded Bonds were issued to refund certain bonds issued by the County to finance a portion of the costs of certain pollution control and solid waste disposal facilities (the “Facilities”) located at our D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographical boundaries of the County (the “Wilson Plant”). See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Liquidity and Capital Resources – *Debt and Lease Obligations*” for a discussion of the most recent auction of the Refunded Bonds.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

Pledge of Funds, Note and Financing Agreement

The Bonds are not general obligations of the County and do not constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The Bonds shall not constitute an indebtedness of the County within the meaning of the Constitution of Kentucky, but shall be payable solely out of the amounts payable under the Financing Agreement (as defined herein) by us to the County, such amounts being equal to an amount sufficient to pay the principal and interest payments relating to the Bonds when due, and certain other funds pledged therefor under the Bond Indenture (“Receipts and Revenues”). See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE.”

In connection with the issuance of the Bonds, we will enter into a Loan Agreement, dated as of June 1, 2010 (the “Financing Agreement”), with the County, under which the County will loan the proceeds of the Bonds to us for the purpose of paying the principal amount of the Refunded Bonds upon their redemption, and we will make loan repayments equal to the principal of and interest on the Bonds when due. To evidence and secure our obligation to repay such loan, we will issue a note with respect to the Bonds, dated the date of issuance of the Bonds (the “Note”). The Note will be issued as a parity obligation under our Indenture, dated as of July 1, 2009, as supplemented and amended (the “Mortgage Indenture”), between us and U.S. Bank National Association, as trustee (the “Mortgage Indenture Trustee”). For a description of certain material terms and conditions of the Mortgage Indenture, see

APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE.” The Financing Agreement provides that we will make the payments under the Note directly to the Trustee for the account of the County.

The payment of principal of and interest on the Bonds will be secured by a pledge by the County to the Trustee, for the benefit of the holders of such Bonds, of (i) the amounts required to be deposited in the Bond Fund, established under the Bond Indenture, including investments made with such amounts and the proceeds thereof, (ii) the County’s right, title and interest in and to the Note and payments thereon, (iii) the County’s right, title and interest in and to the Receipts and Revenues, all subject to the provisions of the Bond Indenture permitting the application of funds for the purposes and on the terms and conditions set forth in the Bond Indenture and (iv) any and all property which may from time to time be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with, the Trustee as additional security under the Bond Indenture by the County or anyone on its behalf as such additional security.

Security for Payment of the Mortgage Indenture Obligations

The Note will be secured equally and ratably with all our other obligations issued under the Mortgage Indenture (each a “Mortgage Indenture Obligation,” and collectively, “Mortgage Indenture Obligations”) by a mortgage lien on substantially all of our owned tangible and certain of our intangible assets, including our electric generation and transmission facilities and certain of our contracts relating to the purchase, sale or transmission of electricity of more than one year in duration and relating to the ownership, operation or maintenance of electric generating, transmission or distribution facilities owned by us, but excluding certain exceptions set forth in the Mortgage Indenture.

The lien of the Mortgage Indenture is subject to certain permitted exceptions set forth in the Mortgage Indenture. The Mortgage Indenture contains provisions subjecting all of our after acquired property, other than certain exceptions set forth in the Mortgage Indenture, to the lien thereof. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE.”

RISK FACTORS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds or the market value of the Bonds. This discussion is not exhaustive, should be read in conjunction with all other parts of this Offering Statement, and should not be considered a complete description of all risks that could affect such payments or the market value of the Bonds. Prospective purchasers of the Bonds should analyze carefully the information contained in this Offering Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Offering Statement. See “AVAILABLE INFORMATION.”

A significant portion of our anticipated gross revenues and retail load of one of our Members, Kenergy, is related to serving the Smelters

Approximately 57% of our total retail load demand and 75% of the energy of one of our Members, Kenergy, is represented by two aluminum smelters: Alcan Primary Products Corporation (“Alcan”), an indirect subsidiary of Alcan Aluminum Corporation, and Century Aluminum of Kentucky General Partnership (“Century”), a wholly-owned subsidiary of Century Aluminum Company. Alcan and Century are referred to herein as the “Smelters.” Kenergy supplies each Smelter under a retail electric service agreement and passes through the payments made thereunder to us, except for a retail fee that Kenergy retains. Such pass through payments by Kenergy are expected to comprise 61.5% of our gross

revenue in 2010. Both retail electric service agreements provide that if a Smelter plans to discontinue its smelting operations, it may terminate the retail electric service agreement with one year notice. Alcan and Century typically use nearly 368 MW and 482 MW per hour, respectively, and operate 24 hours per day and seven days a week. One Century potline constituting approximately 100 MW is currently shut down and we have not been given a schedule for it returning to service. While we are not aware of any plan of either Smelter to discontinue its operations, if one or both were to do so, we would have a large amount of surplus energy that may be difficult to sell economically. This possibility is especially a concern until we complete our planned upgrade to our transmission lines as discussed herein to allow us access to a broader number of third-party purchasers. See “THE SMELTER AGREEMENTS” and APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS.”

Our rates and service and those of our Members are subject to state regulation

Our rates and service and those of our Members are subject to regulation by the Kentucky Public Service Commission (“KPSC”). Among other powers, Kentucky law authorizes the KPSC to (i) approve our rates and those of our Members as “fair, just and reasonable,” (ii) regulate construction of new generation and transmission facilities by issuing certificates of public convenience and necessity, (iii) approve changes in ownership or control of us through sales of assets or otherwise, (iv) approve the issuance or assumption of any securities or evidence of indebtedness, other than to the United States of America acting through the Rural Utilities Service (“RUS”), and (v) administer the state laws assigning each jurisdictional electric distribution utility the exclusive right to provide retail electric service within specified geographic boundaries. The KPSC has approved the issuance of the Bonds.

We and our Members may only charge rates that are approved by the KPSC. When we file a schedule stating new rates with the KPSC, the KPSC may suspend the effective date of that new rate schedule for five or six months, depending upon the methodology we employ to support the new rate schedule. If the proceeding to review the new rate schedule has not been concluded and an order made at the expiration of the suspension period, we may place the new rate schedule in effect, subject to refund if the rates eventually approved by the KPSC are lower than rates in the rate schedule we placed into effect. By law, the KPSC must issue a final decision not later than ten months after we file a new rate schedule. We are entitled to demand, collect and receive fair, just and reasonable rates for the services we render, although we and the KPSC may disagree about what constitutes fair, just and reasonable rates. If we are dissatisfied with an order of the KPSC, we may appeal that order through the Kentucky court system. Any denial by the KPSC or delay in recovery of any portion of our requested rates could have a material negative impact on our Members’ or our future operating results, financial condition or liquidity.

Regulations governing climate change may adversely affect our operations and financial performance

Federal and state laws may be enacted that would limit or impose additional costs related to emissions of carbon dioxide (“CO₂”) and other greenhouse gases (“GHG”). Several bills have been introduced in the current Congress to reduce GHG emissions, including imposing federal GHG emission caps and a federal renewable energy portfolio standard. One such bill was passed by the House of Representatives on June 26, 2009, and a separate bill is currently being considered by the Senate. Furthermore, the United States Environmental Protection Agency (the “EPA”) has taken action to regulate GHG emissions under existing federal law. We cannot predict the outcome or potential impacts of pending climate change legislation or regulations, but it is generally expected that older conventional, fossil-fueled generation facilities, such as our facilities, would be more adversely affected by such laws or regulations than newer facilities or facilities generating electricity from nuclear or renewable fuels. In addition, some legislative proposals, such as the economic stimulus plan, may provide substantial incentives to alternative energy development or limit the construction and operation of conventional power generation facilities in ways that could adversely affect our business plans, revenues or operating

costs. See “RATE AND ENVIRONMENTAL REGULATIONS – Global Climate Change.” Substantially all of our power supply resources come from fossil-fueled generation facilities. During 2009, resources that we own and operate emitted 19,100 tons of sulfur dioxide (“SO₂”), 10,874 tons of nitrogen oxide (“NO_x”) and 25,000 tons of CO₂.

Regulations governing environmental issues may adversely affect our operations and future financial performance

We are required to comply with numerous federal, state and local laws and regulations relating to environmental protection. These laws and regulations change regularly, and new laws and regulations could substantially increase our operating costs or require material capital expenditures. In response to regulatory changes, a substantial portion of our facilities have, in the past decade, been retrofitted with new pollution control equipment, including flue gas desulfurization and selective catalytic reduction equipment. We have \$30 million of planned environmental additions through 2013. Although we believe that we have obtained all material environmental approvals currently required to own and operate our currently operating facilities, we may incur significant additional costs to comply with these requirements or with any new requirements that are added as laws change and new regulatory requirements are added. Failure to obtain and maintain all required permits or to comply with environmental laws, regulations and permits could have a material adverse effect on us, including potential civil or criminal liability and the imposition of fines or expenditures of funds to bring our facilities into compliance. Delay in obtaining or failure to obtain and maintain any environmental permits or approvals, or delay or failure to satisfy any applicable environmental regulatory requirements, could hinder the operation of our existing facilities or hinder the sale of energy from these facilities, all of which could result in significant additional cost to us. In addition, private parties may object to the issuance of environmental permits or challenge our operations under our permits. See “RATE AND ENVIRONMENTAL REGULATIONS – Environmental Regulations.”

National or state renewable energy standards may increase our costs of operation and adversely affect the utilization of current generation facilities

Although various bills have been introduced in the Kentucky legislature and in the U.S. Congress that would require us to establish and obtain minimum amounts of electric energy from renewable resources, to date, no such legislation has been enacted. If we were required on the national or state level to establish and obtain minimum amounts of electric energy from renewable resources, we would have to purchase such energy and/or invest in renewable resources. Either alternative may result in higher costs to our Members.

We must make long-term decisions involving substantial capital expenditures based on our current projections of future conditions

Our decisions to develop new generation or transmission facilities, enter into long-term power supply arrangements, or pursue other projects are based primarily on long-term forecasts of our obligations to supply all or a portion of our Members’ power and energy requirements. We rely on our forecasts to reliably predict factors affecting their requirements such as economic conditions, population trends and actions by others in the development of their generation or transmission facilities. Even though forecasts are less reliable the farther into the future they extend, we must make decisions today based on forecasts often extending a decade or more into the future due to the long lead-time necessary to develop and construct new generation and transmission facilities and the expected useful life of such facilities.

Our forecasts may vary significantly from actual events. As a result, we may fail to develop the appropriate number or type of generation facilities, rely on technology that becomes less competitive, or fail to install or upgrade transmission facilities in locations where they are needed. If we overestimate the growth in our obligations to supply all or a portion of our Members' power or energy requirements, there is no assurance that the price of any surplus power or energy from the excess resources would be economical or could be sold in the market without a loss. If we underestimate the growth in our Members' power or energy requirements, we may be required to purchase power or energy at a cost substantially above the cost we would have incurred to obtain the power or generate the energy from our facilities. Projections regarding the continued growth of our Members' power and energy requirements and the extent of our obligations to serve them increases the potential risks to us if actual events differ significantly from our forecasts.

Future availability and cost of credit may affect our financial results

We will need to access the credit and capital markets in the near future. Although we expect to finance our capital expenditures with internally generated funds, we have a series of pollution control bonds outstanding in the principal amount of \$58.8 million maturing in 2013 that we expect to refinance. In addition to the generally level debt service on the RUS Series A Note, we are obligated to make additional principal payments of \$60.0 million by October 1, 2012, and \$200.0 million by January 1, 2016 on our debt outstanding with RUS. We expect to raise funds in the credit and capital markets in order to refinance this RUS debt and the pollution control bonds.

Market volatility and uncertainty in the financial markets, such as what occurred in the fall of 2008, could potentially affect our cost of capital and access to the credit and capital markets. In addition, if our ratings were lowered, we could be required to pay higher interest rates in future financings, our potential pool of investors and funding sources could decrease and our access to the credit or capital markets could be interrupted for all practical purposes. In the future, our investor base may be limited if we encounter investors who are reluctant to purchase our debt based on climate change or other industry-specific concerns.

Our financial performance depends on the successful operation of electric generating facilities by us and the ability of our facilities and us to deliver electricity to our Members

Operating electric generating facilities and delivery systems involves many risks, including:

- operator error and breakdown or failure of equipment or processes;
- operational limitations imposed by environmental or other regulatory requirements;
- inadequate or unreliable access to transmission and distribution assets;
- labor disputes;
- interruptions of fuel supply;
- compliance with mandatory reliability standards; and
- catastrophic events such as hurricanes, floods, earthquakes, fires, explosions, terrorist attacks, pandemic health events or other similar occurrences.

We depend on transmission facilities, including those operated by other parties, to deliver the electricity that we supply to our Members. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered. Although the Federal Energy Regulatory Commission (“FERC”) has issued regulations designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems or transmission capacity will not be available to transmit our electric power. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets.

The initial set of mandatory reliability standards was issued by the North American Electric Reliability Corporation (“NERC”) in July 2007. We believe we are in compliance with all of the current NERC standards. We expect that as greater emphasis is placed on securing electrical grid infrastructure, these standards will become stricter over time. The financial impact of mandatory compliance with such standards cannot currently be determined. If mandatory reliability standards are increased in the future, a substantial effect on our operations and financial cash flows could result. In addition, failure to comply with the reliability standards could result in the imposition of fines and penalties.

A decrease in operational performance from our generating facilities and delivery systems or an increase in the cost of operating the facilities could have an adverse effect on our business and results of operations.

Our Members may fail to satisfy their obligations to us

We depend primarily on electric sales to our Members to satisfy our financial obligations. We do not control the operations or financial performance of our Members. Accordingly, we are exposed to the risk that one or more of our Members could default in the performance of their obligations to us, in particular their obligations under long-term wholesale power contracts with us extending through 2043. These defaults could result from financial difficulties at one or more Members or because of intentional actions by such Members. Our operating results and financial condition could be adversely affected if one or more of our Members default on their obligations to us or reject their contractual obligations to us in a bankruptcy proceeding or otherwise.

We cannot assure you that an active trading market will develop for the Bonds

There is no existing trading market for the Bonds. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be, nor can we make any assurances regarding the ability of holders of Bonds to sell their Bonds or the price at which the Bonds might be sold. Although the Underwriter has informed us that it currently intends to make a market in the Bonds, it is not obligated to do so, and any market making may be discontinued at any time without notice. The market price of the Bonds could be adversely affected as a result.

COUNTY OF OHIO, KENTUCKY

The County, located in western Kentucky, is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The County was and is authorized and empowered by law, including particularly the Act to finance certain pollution control and solid waste disposal facilities, including the Facilities, and to enter into and perform its obligations under the Financing Agreement and the Bond Indenture. Pursuant to the Act, on May 4, 2010 the Fiscal Court of the County adopted a resolution which authorized the issuance of the Bonds and the execution and delivery of the Financing Agreement and the Bond Indenture by the County. Except for the information in this paragraph and the information solely with respect to the

County under the caption “SUMMARY – County of Ohio” and “LITIGATION – Litigation Involving the County,” the County did not participate in the preparation of this Offering Statement and does not have or assume any responsibility as to the accuracy or completeness of any information herein, all of which has been furnished by others.

BIG RIVERS ELECTRIC CORPORATION

Introduction

General

We are an electric generation and transmission (“G&T”) rural electric cooperative corporation. We were organized as a not-for-profit rural electric cooperative under the laws of Kentucky in June, 1961 to enable our Members to pool their resources and provide for the power and transmission needs of their combined service territories. We currently operate as a taxable cooperative. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Critical Accounting Policies – Accounting for Income Taxes.” We provide wholesale electric service to our three Members under a number of wholesale power contracts which contracts, in the aggregate, supply the total wholesale power requirements of the Members (see “Wholesale Power Contracts”), except the requirements of Kenergy for service to the Smelters required by the Smelters Agreements.

We own 1,444 net MW of electric generating facilities, described herein under “GENERATION AND TRANSMISSION ASSETS – Generation Resources” and approximately 1,262 miles of transmission lines and 22 substations, described herein under “GENERATION AND TRANSMISSION ASSETS – Transmission.”

In addition to our owned electric generation and transmission facilities, we operate the 312 net MW Henderson Municipal Power and Light (“HMP&L”) Station Two Generating Facility (“Station Two”) in accordance with a Power Plant Construction and Operation Agreement dated August 1, 1970 between HMP&L and us (the “Station Two Operation Agreement”), and we purchase all the power and energy from Station Two not used by HMP&L to serve the needs of the City of Henderson, Kentucky, in accordance with a Power Sales Contract between HMP&L and us dated August 1, 1970 (the “Station Two Power Sales Contract”). See “GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources – *Station Two Facility*.”

In 2009, our average wholesale revenue per kWh to our Members, including amounts withdrawn from the economic reserve, was \$.03983 or \$.04113 for rural loads and \$.03668 per kWh for large industrial loads (exclusive of the Smelter loads served by Kenergy). Our average wholesale revenue per kWh to Kenergy to serve the two Smelter loads in 2009 was \$.04754 per kWh on sales of 3.5 million MWh. Our average wholesale revenue per kWh to Kenergy to serve the Smelter loads pre-Unwind was \$.05412 on sales of .6 million MWh. Our average wholesale revenue per kWh to Kenergy to serve the two Smelter loads after the closing of the Unwind was \$.04622 on sales of 2.9 million MWh. For the first six and one-half months of 2009, we supplied only a portion of the load of the Smelters. During this period, Kenergy purchased 3.5 million MWh for the Smelters from other sources. Had we supplied the entire load for the Smelters for all of 2009, our sales to Kenergy to serve the Smelters for 2009 would have been 7.0 million MWh. Excluding the Smelters, sales to our Members were 3.2 million MWh in 2009, 2.2 million MWh for rural loads and 1.0 million MWh for large industrial loads. Member Non-Smelter MWh sales in 2009 have decreased by 4.6% from 2008, 6.2% for rural loads and .7% for large industrial loads. To the extent surplus capacity and energy are available, we may sell electricity to non Member utilities and power marketers (“Non-Members”). During 2009, we sold approximately 1.2 million MWh to Non-Members

Cooperative Structure

In general, a cooperative is a business organization owned by its members, which are also its customers. Cooperatives provide goods or services to their members on a not-for-profit basis, in part by eliminating the need to produce profits or a return on equity in excess of required margins. Generally, electric cooperatives design rates on an overall basis to recover cost-of-service and collect a reasonable amount of revenue in excess of expenses (i.e., margins). Margins are typically repaid to the members in subsequent years on the basis of their patronage during the years the margins were earned.

A G&T cooperative is a cooperative engaged primarily in providing wholesale electricity to its members, which may be either wholesale or retail power suppliers. Electricity sold by a G&T cooperative is provided from its own generating facilities or through power purchase agreements with its wholesale power suppliers. A distribution cooperative is a local membership cooperative whose members are the individual retail customers of an electric distribution system.

The Members

Our Members are Kenergy, Meade County Rural Electric Cooperative Corporation (“Meade”) and Jackson Purchase Energy Corporation (“Jackson Purchase”). The Members of Big Rivers are local consumer-owned distribution cooperatives providing retail electric service on a not-for-profit basis to their customers, who are their members. The customer base of the Members generally consists of residential, commercial and industrial consumers within specific geographic areas. The Members provide electric power and energy to customers located in portions of 22 western Kentucky counties. As of December 31, 2009, the Members served approximately 112,000 member-customers (meters). Kenergy has approximately 55,000 retail members, Meade County has approximately 28,000 retail members and Jackson Purchase has approximately 29,000 retail members. See APPENDIX B – MEMBER FINANCIAL AND STATISTICAL INFORMATION.

Bankruptcy and Subsequent Operation

In September 1996, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The filing was precipitated largely by our inability to sell our capacity in excess of that required to serve our Members at prices sufficient to cover all of our costs, which shortfall was exacerbated by long-term coal contracts under which prices had escalated well above market prices. In July 1998, a bankruptcy court-approved Plan of Reorganization (the “Plan of Reorganization”) became effective. The Plan of Reorganization fundamentally changed our operations and resulted in the restructuring of our long-term debt. Such long-term debt was owed primarily to RUS and was incurred primarily to finance our generating assets.

In accordance with the Plan of Reorganization, we leased all of our generating facilities to Western Kentucky Energy Corp. (“WKEC”), a wholly-owned subsidiary of LG&E Energy Corp., now E.ON U.S., LLC (“E.ON”). We also assigned to WKEC all of our intangible assets, including our rights under real property leases, equipment leases, permits, intellectual property and contracts used or held exclusively by us in connection with the operation of our generating facilities. WKEC assumed and agreed to perform and discharge all of our obligations under these assets that first arose or accrued on or after the effective date of the Plan of Reorganization. In addition to assuming responsibility for operation of our generating facilities we own, WKE Station Two Inc. (“WKE Station Two”), another wholly owned subsidiary of E.ON, assumed responsibility for the operation of Station Two and our obligation to purchase power from Station Two under the Station Two Power Sales Contract. This assignment and assumption was effected in accordance with an Agreement and Amendments to Agreements by and among HMP&L, WKE Station Two, LG&E Energy Marketing Inc. (“LEM”), WKEC and us dated as of

July 15, 1998 (the “Station Two Agreement”). Pursuant to the Plan of Reorganization, WKEC and WKE Station Two (which was subsequently merged into WKEC) became responsible for our prior responsibilities to operate and maintain the generating facilities we own and Station Two. Capital costs for these generating facilities were shared by WKEC and us in several different ratios depending upon whether or not the capital expenditure was incurred in order to comply with a state law enacted after the effective date of the Plan of Reorganization or a revision or change of an existing law enacted after such date. We were responsible for 20% of the capital costs required in order to comply with such a change in law or regulation. Our responsibility for the capital costs required to maintain the existing capacity of the generating facilities we own and Station Two and not required by changes in law or regulation was generally limited to stipulated annual amounts, which never exceeded \$6.8 million. We were not required to contribute to the cost of capital improvements made to a generating facility owned by us or to Station Two in order to increase its generating capacity. Operation and maintenance costs, including fuel, were, for the most part, the responsibility of WKEC.

The Plan of Reorganization (the “LG&E Arrangements”) also included a power purchase agreement (the “LEM Power Purchase Agreement”) between us and LEM. The LEM Power Purchase Agreement established minimum hourly and annual power purchase amounts that we were required to take and certain maximum hourly and annual power purchase amounts that LEM was required to make available to us. We paid specified fixed rates for power purchased under the LEM Power Purchase Agreement that were not dependent upon market prices for electric power and energy nor the costs associated with power and energy generated by the generating facilities we own and operated by WKE Station Two. In addition to power and energy purchased from LEM under the LEM Power Purchase Agreement, during the duration of the LG&E Arrangements we continued to dispatch our Members’ 178 MW Southeastern Power Administration (“SEPA”) allocations of hydroelectric power and associated energy (the “SEPA Power”) in accordance with a contract with the SEPA (the “SEPA Contract”).

If we did not purchase an amount of power from LEM equal to or in excess of a minimum annual amount during a calendar year, the LEM Power Purchase Agreement provided that we were deemed to have received a certain percentage of the difference in the amount of power actually purchased from LEM and the minimum annual amount we were required to purchase under the LEM Power Purchase Agreement. LEM billed us for such percentage of the shortfall as if we had purchased it. We had the right to purchase only our minimum obligation of power and energy under the LEM Power Purchase Agreement and purchase additional power to meet our Member’s loads from other suppliers without penalty. This arrangement essentially permitted us to arbitrage the LEM base power requirement. These arbitrage opportunities were available in any hour in which our power purchase rate from the market plus any applicable hourly LEM penalty was less than the amount that we would be charged by LEM at the specified base power rates or in any hour which we could resell our base power under the LEM Power Purchase Agreement to Non-Members at a profit. Most of the earnings we realized from such arbitrage activities were used by us to increase our equity.

Throughout the duration of the LG&E Arrangements we received lease payments from WKEC of approximately \$31 million annually. These lease payments were subject to adjustment for certain environmental costs and changes in the amount of power available to us from LEM. We were responsible for 70% of all property taxes on the generating facilities leased to WKE Station Two during the LG&E Arrangements and WKEC paid 30%.

The Plan of Reorganization required LEM to pay us an average of approximately \$18 million annually, which amount corresponded to the estimated margins we had anticipated to realize from sales to our Members to supply the loads of the Smelters. The Plan of Reorganization also required the transfer of responsibility for providing the wholesale power and energy to Kenergy necessary to serve the needs of the Smelters from us to LEM.

We provided transmission service to our Members and Non-Members pursuant to our Open Access Transmission Tariff (“OATT”). Under the LG&E Arrangements, LEM paid us a minimum \$5 million annually for transmission service.

Leveraged Lease Transactions

In April, 2000, we entered into five separate leveraged lease transactions involving undivided interests in both units of our Robert D. Green Generating Plant (the “Green Plant”) and our Wilson Plant (the “Leveraged Lease Transactions”). The Leveraged Lease Transactions were structured as a long-term lease of an undivided interest under a head lease to limited liability companies created on behalf of an equity investor. Such undivided interests were leased back to us by such limited liability companies for a shorter term. Part of each equity investor’s cost for its acquisition of its head lease interest was supplied by non-recourse loans to the limited liability company. We used most of the proceeds of the equity investors’ one-time payments of rent for their head lease interests to purchase guaranteed investment contracts, the payments under which were sufficient to discharge all of our rental obligations under each of the leases of the undivided interests back to us.

Unwind of LG&E Arrangements and Termination of Leveraged Lease Transactions

In March 2007, we executed a Transaction Termination Agreement (the “Termination Agreement”) among LEM, WKEC and us setting forth the term and conditions upon which we and E.ON agreed to terminate the LG&E Arrangements (the “Unwind”). Protracted negotiations with creditors, governmental agencies, the Smelters and others followed the execution of the Termination Agreement. The closing of the Unwind took place on July 16, 2009.

As a result of the turmoil in the credit markets commencing in 2007, and in order to facilitate the Unwind, we terminated the Leveraged Lease Transactions prior to their maturities. We terminated some of the Leveraged Lease Transactions in June, 2008 and others in September, 2008. Funds to terminate the Leveraged Lease Transactions were provided by the proceeds of the early termination of the guaranteed investment contracts used for the economic defeasance of the leases, funds provided by E.ON as part of the consideration in the Unwind, and our own funds. As part of the termination of the Leveraged Lease Transaction, all property interests and security interests in any of our property of all parties to the Leveraged Lease Transactions were terminated.

Summary of Major Provisions of Unwind

In connection with the closing of the Unwind, E.ON compensated us with approximately \$864.6 million and we took certain other actions as set forth below:

- E.ON made a cash payment to us of approximately \$506.7 million. This amount represented (1) a termination payment by WKEC to us to compensate us for the risks associated with assuming responsibility for the operation of our owned generating facilities and Station Two and (2) the netted amount of various payment obligations by both WKEC and us contemplated by the Termination Agreement.
- WKEC waived the requirement in the LG&E Arrangements that we make a payment at the expiration or early termination of the LG&E Arrangements in respect of the residual value of WKEC’s capital contributions to our owned generating facilities and Station Two. Additionally, WKEC conveyed to us certain utility plant assets used in connection with the operation of our owned generating plants previously leased to WKEC. The value of these items was approximately \$188.0 million.

- We established three reserves, (1) an economic reserve with an initial principal amount equal to \$157 million (the “Economic Reserve”), (2) a second economic reserve with an initial principal amount equal to \$60.9 million (the “Rural Economic Reserve”), and (3) a transition reserve with an initial principal amount equal to \$35 million (the “Transition Reserve”). The Economic Reserve and Rural Economic Reserve accounts were established to help us cushion the effect of any potential future rate increases for fuel, environmental, and purchase power expenses on our rates to our Members for service to their non-Smelter members. The Transition Reserve Account was established as a financial reserve account that would help us mitigate financial costs, if any, associated with the termination of the Smelter Agreements by a Smelter.
- WKEC conveyed to us a flue gas desulphurization (“FGD”) system which had recently been constructed at our Kenneth C. Coleman Plant (the “Coleman Plant”). The value ascribed to the flue gas desulphurization facility was approximately \$98.5 million.
- WKEC conveyed to us personal property and inventories of coal, petroleum coke, fuel oil, lime, limestone and spare parts, and materials and supplies. The value of these items was approximately \$55.0 million.
- WKEC forgave a promissory note of approximately \$15.4 million we owed to LEM.
- WKEC conveyed to us 14,000 SO₂ allowances allotted by the EPA with a fair market value of approximately \$1.0 million on July 16, 2009.
- The lease of the generating facilities to WKEC and all the other property interests of WKEC and LEM in the generating facilities previously leased to WKEC were terminated.
- The Station Two Agreement was terminated and we resumed our responsibility to operate Station Two and to purchase the output of Station Two in excess of the City’s requirements in accordance with the Station Two Power Sales Contract.

Change in Capital Structure Resulting from Unwind

On July 16, 2009, we prepaid \$140.2 million of the indebtedness we owed to the RUS and the schedule of maximum permitted outstanding balances on the amortizing debt we owe to the RUS was adjusted. The non-interest bearing RUS Series B Note was also restructured in concert with the Unwind into a single “bullet” payment due December 31, 2023. Our debt to RUS was incurred primarily to finance our generating assets. In connection with the Unwind we obligated ourselves to reduce the maximum permitted outstanding balances of our RUS debt by \$60.0 million by October 1, 2012 and \$200.0 million by January 1, 2016. Currently, we intend to refinance that debt in the capital markets.

We also terminated a secured credit facility with National Rural Utilities Cooperative Finance Corporation (“CFC”) providing for a maximum outstanding balance of \$15 million and entered into two unsecured revolving credit facilities with a maximum of \$50 million each with CFC and CoBank ACB (“CoBank”). See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Liquidity and Capital Resources.” The chart set forth below shows the impact of the Unwind on our outstanding debt.

Debt Instrument	Pre-Unwind Balance	Unwind Close Transaction <small>(In millions of dollars)</small>	Post-Unwind Balance
RUS Series A Note	\$ 740.0	\$140.2 ⁽¹⁾	\$599.8
RUS Series B Note	106.5	0.0	106.5
LEM Settlement Note	15.4	15.4 ⁽²⁾	0.0
PMCC Note	12.4	12.4 ⁽³⁾	0.0
County of Ohio, Kentucky, promissory note (1983 Series) 1983 Series Pollution Control Bonds	58.8	0.0	58.8
County of Ohio, Kentucky, promissory note (2001A Series) 2001A Series Pollution Control Bonds	83.3	0.0	83.3
	\$1,016.4	\$168.0	\$848.4

(1) Our payment to RUS on Unwind closing date.

(2) Forgiveness of debt by E.ON.

(3) Our payment to Philip Morris Capital Corporation on Unwind closing date.

As a result of the Unwind, we went from an equity to total capitalization ratio of -19% as of December 31, 2008, to 31% as of December 31, 2009.

Resumption of Operational Responsibilities in Connection with Generating Facilities

In connection with the Unwind, the lease of our generating facilities to WKEC was terminated and we resumed responsibility for the operation of our generating facilities. Thus, we assumed responsibility for the risks associated with such operation (e.g. fuel, capital costs associated with change in law). We intend to use the output of our generating facilities to supply the needs of our Members, including approximately 850 MW of power that is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters, which were primarily serviced by LEM prior to the Unwind. See “THE SMELTER AGREEMENTS” and APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS.” Power and energy generated above our Members’ requirements will be sold into the wholesale power market.

Wholesale Power Contracts with Members

Each of Meade, Jackson Purchase and Kenergy is party to a wholesale power contract with us (the “All Requirements Contracts”) providing that we sell and deliver to the Member, and the Member purchase and receive from us, all the electric power and energy which the Member requires for the operation of the Member’s system (except Kenergy’s requirements for the Smelters) to the extent that we have power and energy and facilities available. The term of each All Requirements Contract extends through December 31, 2043 and neither of the parties may unilaterally terminate the contract, without cause, prior to such date. Each All Requirements Contract may be terminated by either party thereto after December 31, 2043, upon six months notice.

The All Requirements Contracts require each Member to pay us monthly for capacity and energy furnished. The All Requirements Contracts provide that if a Member fails to pay any bill by the first business day following the twenty-fourth day of the month, we may, upon five (5) business days’ written notice, discontinue delivery of electric power and energy. The All Requirements Contracts also provide that, so long as any notes and note guarantees are outstanding from us to the RUS, the Member may not reorganize, dissolve, consolidate, merge, or sell, lease or transfer all or a substantial portion of its assets unless it has either (i) obtained our written consent and the written consent of the RUS, or (ii) paid a portion of the outstanding indebtedness on the notes and our other commitments and obligations then outstanding, such portion to be determined by us with RUS approval. The All Requirements Contracts may only be amended with the approval of the RUS and upon compliance with such other reasonable terms and conditions as we and RUS may agree.

Each Member is required to pay us for capacity and energy furnished under its All Requirements Contract in accordance with our established rates as approved by the KPSC. All Requirements Contracts with Members provide that our Board of Directors establish rates to produce revenue sufficient, but only sufficient, together with all of our other revenue, to pay the cost of operation and maintenance of all our generation, transmission and related facilities, to pay the cost of capacity and energy purchased by us for resale, to pay the cost of transmission service, to pay the principal of and interest on all our indebtedness and to provide for the establishment and maintenance of reasonable financial reserves.

The All Requirements Contracts require our Board of Directors to review the rates at least annually and to revise such rates as necessary to produce revenue as described above. We must give Members no less than thirty (30) days' or more than forty-five (45) days' written notice of every rate revision. Our electric rate revisions are subject to the approval of the RUS and the KPSC, after which our Members are permitted to incorporate such rate changes into their own rate structures. See "RISK FACTORS" and "RATE AND ENVIRONMENTAL REGULATION – Kentucky Rate Regulation" for information relating to rate regulation by the KPSC.

Smelter Agreements with Kenergy

In addition to the All Requirements Contracts, we and Kenergy are parties to two wholesale electric service agreements under which we provide a fixed amount of power and energy of approximately 850 MW of power that is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters through December 31, 2023. These agreements are exceptions to the "all requirements" obligations in the All Requirements Contracts with Kenergy. See "THE SMELTER AGREEMENTS" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

Existing Generation and Transmission Resources

We supply capacity and energy to our Members principally from a combination of owned generating plants and also from power purchased under long-term contracts with other power suppliers and short-term and spot market purchases. We own interests in seven base load coal-fired generating units and one oil- or natural gas-fired combustion turbine generating unit, all of which are in commercial operation. These units provide us with approximately 1,444 MW of capacity. See "GENERATION AND TRANSMISSION ASSETS – Generation Resources" for a discussion of our existing generation facilities. We also have a variety of purchase arrangements, including the Station Two Power Sales Contract with the City of Henderson and the SEPA Contract, which supply us with up to 390 MW of power. We currently purchase 212 MW from HMP&L pursuant to the Station Two Power Purchase Agreement, which share will decrease on June 1, 2010 to 207 MW, and up to 178 MW under the SEPA Contract. We normally use our entitlement under the SEPA Contract for peaking; however, as a result of problems with certain dams on the Cumberland River hydro system, our capacity entitlement has been suspended and we currently are receiving only energy. See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources" for a discussion of our power purchase arrangements. We also own 1,262 miles of transmission lines and 22 substations and we have additional access to approximately 100 MW of transmission service through agreements with another utility.

SELECTED FINANCIAL DATA

The following financial data present selected information relating to our financial condition and results of operations. Summary financial data for the three months ended March 31, 2010 that are presented below are unaudited, and reflect all adjustments that we consider necessary (consisting of normal recurring accruals) for a fair presentation of such data. The Balance Sheet data as of December 31, 2009 and 2008 and the Statement of Operations data for years ended December 31, 2009, 2008 and 2007 were derived from our audited financial statements included in APPENDIX A. The Balance Sheet data as of December 31, 2007 and the Statement of Operations data for the years ended December 31, 2006 and 2005 were derived from our audited financial statements for those years. The information shown below should be read in conjunction with the financial statements and the related notes thereto in Appendix A. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.”

BIG RIVERS STATEMENT OF REVENUES AND EXPENSES (dollars in thousands)

	Three Months Ended March 31, (Unaudited)	Year Ended December 31, (Audited)				
	2010	2009	2008	2007	2006	2005
Operating revenues:						
Member tariff electric energy revenues.....	\$108,152	\$259,579	\$114,513	\$113,281	\$108,736	\$109,439
Other electric energy revenues.....	25,674	67,151	90,006	148,611	82,098	71,928
Lease revenue.....	---	32,027	58,423	58,265	57,896	57,675
Other operating revenues.....	3,368	14,603	10,239	9,713	9,858	9,913
Total operating revenues.....	<u>137,194</u>	<u>373,360</u>	<u>273,181</u>	<u>329,870</u>	<u>258,588</u>	<u>248,955</u>
Operating expenses:						
Operations:						
Fuel for electric generation.....	53,944	80,655	---	---	---	---
Power purchased and interchanged.....	23,271	116,883	114,643	169,768	114,516	114,500
Production, excluding fuel.....	12,507	22,381	---	---	---	---
Transmission and other	9,465	35,444	28,600	27,196	21,684	20,309
Maintenance.....	7,977	29,820	4,258	4,240	3,652	3,195
Depreciation.....	8,478	32,485	31,041	30,632	30,408	30,192
Total operating expenses.....	<u>115,642</u>	<u>317,668</u>	<u>178,542</u>	<u>231,836</u>	<u>170,260</u>	<u>168,196</u>
Electric operating margins.....	<u>21,552</u>	<u>55,692</u>	<u>94,639</u>	<u>98,034</u>	<u>88,328</u>	<u>80,759</u>
Interest expense and other:						
Interest, net of capitalized interest.....	12,106	59,898	65,719	60,932	60,754	59,639
Interest on obligations related to long-term lease.....	---	---	6,991	9,919	9,505	9,109
Amort. of loss from termination of lease.....	---	2,172	811	---	---	---
Income tax expense.....	---	1,025	5,934	---	---	---
Other, net.....	17	112	123	103	111	124
Total interest expense and other.....	<u>12,123</u>	<u>63,207</u>	<u>79,578</u>	<u>70,954</u>	<u>70,370</u>	<u>68,872</u>
Operating margin before non-operating margin....	9,429	(7,515)	15,061	27,080	17,958	11,887
Non-operating margin:						
Interest income on restricted investments under long-term lease.....	---	---	8,742	12,481	12,069	11,670
Gain on “Unwind” Transaction.....	---	537,978	---	---	---	---
Interest income and other.....	102	867	4,013	7,616	4,515	2,786
Total non-operating margin.....	<u>102</u>	<u>538,845</u>	<u>12,755</u>	<u>20,097</u>	<u>16,584</u>	<u>14,456</u>
Net margin.....	<u>\$9,531</u>	<u>\$531,330</u>	<u>\$ 27,816</u>	<u>\$ 47,177</u>	<u>\$ 34,542</u>	<u>\$ 26,343</u>

BALANCE SHEET
(dollars in thousands)

	Three Months Ended March 31, (Unaudited)	December 31, (Audited)		
	2010	2009	2008	2007
Assets:				
Utility plant, net.....	\$1,081,552	\$1,078,274	\$912,699	\$911,634
Restricted investments under long-term lease.....	–	–	–	192,932
Restricted Investments – Member rate mitigation	235,193	243,225	–	–
Other deposits and investments, at cost	5,370	5,342	4,693	4,240
Current Assets:				
Cash and cash equivalents.....	60,376	60,290	38,903	148,914
Accounts receivable	44,484	47,493	20,464	26,683
Fuel inventory	35,258	37,830	–	–
Non-fuel inventory	20,457	20,412	756	768
Prepaid expenses	3,269	3,233	450	131
Total current assets.....	<u>163,844</u>	<u>169,258</u>	<u>60,573</u>	<u>176,496</u>
Deferred loss–termination of sale-leaseback	–	–	76,001	–
Deferred charges and other.....	3,156	9,384	20,470	28,856
Total assets	<u>\$1,489,115</u>	<u>\$1,505,483</u>	<u>\$1,074,436</u>	<u>\$1,314,158</u>
Equities (Deficit) and Liabilities:				
Capitalization:				
Equities (deficit).....	\$388,923	\$379,392	\$(154,602)	\$(174,137)
Long-term debt.....	815,885	834,367	987,349	1,022,345
Obligations under long-term lease.....	–	–	–	183,891
Total capitalization	<u>1,204,808</u>	<u>1,213,759</u>	<u>832,747</u>	<u>1,032,099</u>
Current liabilities:				
Current maturities of long-term debt and obligations.....	13,298	14,185	51,771	39,392
Notes payable.....	10,000	–	–	–
Purchased power payable	1,096	3,362	9,336	13,038
Accounts payable	22,669	30,657	5,832	4,932
Accrued expenses.....	11,223	9,864	3,134	3,014
Accrued interest	8,577	9,097	8,018	7,811
Total current liabilities	<u>66,863</u>	<u>67,165</u>	<u>78,091</u>	<u>68,187</u>
Deferred credits and other:				
Deferred lease revenue	–	–	10,955	15,537
Deferred gain on sale-leaseback.....	–	–	–	53,480
Residual value payment obligation	–	–	145,145	141,370
Regulatory liabilities – Member rate mitigation.....	200,245	207,348	–	–
Other.....	17,199	17,211	7,498	3,485
Total deferred credits and other	<u>217,444</u>	<u>224,559</u>	<u>163,598</u>	<u>213,872</u>
Total equities and liabilities	<u>\$1,489,115</u>	<u>\$1,505,483</u>	<u>\$1,074,436</u>	<u>\$1,314,158</u>

CAPITALIZATION

Our capitalization derived from our financial statements included in APPENDIX A is as follows:

	Three Months Ended March 31, (Unaudited) 2010	December 31, (Audited) 2009
	(in thousands)	
Long-Term debt:		
Secured by the Mortgage Indenture:		
RUS Series A Note	\$575,849	\$596,786
RUS Series B Note	111,234	109,666
1983 Series Pollution Control Bonds	58,800	58,800
2001A Series Pollution Control Bonds	83,300	83,300
 Total long-term debt	 \$829,183	 \$848,552
Less: current portion	13,298	14,185
Total long-term debt, excluding current portion	815,885	834,367
Equity:		
Accumulated Margins	394,038	384,507
Other Equities and Accumulated Other Comprehensive Income	(5,115)	(5,115)
Total Equities	388,923	379,392
 Total capitalization	 \$1,204,808	 \$1,213,759

[Remainder of page intentionally left blank]

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Caution Regarding Forward Looking Statements

This Offering Statement contains forward-looking statements regarding matters that could have an impact on our business, financial condition and future operations. These include statements regarding expected capital expenditures, sales to Members, and liquidity and capital resources. Some forward-looking statements can be identified by use of terms such as “may,” “will,” “expects,” “anticipates,” “believes,” “intends,” “projects,” “plans,” or similar terms. These forward-looking statements, based on our expectations and estimates, are not guarantees of future performance and are subject to risks, uncertainties, and other factors that could cause actual events or results to differ materially from those expressed in these statements. These risks, uncertainties, and other factors include, but are not limited to, general business conditions, changes in demand for power, federal and state legislative and regulatory actions and legal and administrative proceedings, changes in and compliance with environmental laws and policies, weather conditions, the cost of commodities used in our industry and unanticipated changes in operating expenses, capital expenditures and tax liabilities. Some of the factors that could cause our actual results to differ from those anticipated by these forward-looking statements are described under the captions “RISK FACTORS” and “RATE AND ENVIRONMENTAL REGULATIONS.” Any forward-looking statement speaks only as of the date on which the statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made even if new information becomes available or other events occur in the future.

Executive Overview

The closing of the Unwind in July 2009 resulted in significant changes to our utility operations. Prior to the Unwind, we leased all of our generation assets to WKEC and purchased power from LEM. We received fixed rental payments each year, and LG&E was obligated to operate and maintain our owned generating assets and Station Two. Under this arrangement, both we and WKEC paid an agreed share of capital expenditures and certain environmental operating costs. We fulfilled our power supply arrangements to our Members through the purchased power arrangement with LEM at generally fixed prices significantly below market rates. We operated under these arrangements for the first half of 2009, the year ended December 31, 2008 and the year ended December 31, 2007.

When the Unwind became effective on July 16, 2009, we received \$864.6 million compensation, both cash and non-cash, from E.ON. The Unwind gain reported in the 2009 financial statements was \$538.0 million, with the \$326.6 million difference being reported only in the 2009 balance sheet (\$252.9 million of which is comprised of funds deposited into three reserve accounts, the Economic Reserve, the Rural Economic Reserve and the Transition Reserve, that will serve to offset future non-Smelter Member fuel and environmental costs, Member rate mitigation or termination of a Smelter Agreement).

After the closing of the Unwind, we regained the operation of our generation facilities. We are now responsible for the operation and maintenance of our generating assets and for all continued expenses in connection with capital expenditures relating to our generating assets. Since the Unwind, through Kenergy, we supply 850 MW of the Smelters' needs, and not just a small portion of them as supplied pre-Unwind. As a result, our sales to the Smelters increased substantially. In addition, our operating expenses increased substantially. As a result of the Unwind, we went from an equity to total capitalization ratio of -19% as of December 31, 2008, to 31% as of December 31, 2009.

The table below summarizes the \$538.0 million Unwind gain:

Item	Unwind Gain (dollars in millions)
Cash	\$288.8
Recognize WKE Lease Revenue	7.2
Write-off LEM Marketing Payment and Settlement Note	0.9
Utility Plant – Net	286.5
Inventories (fuels, reagents and M&S)	55.0
SO ₂ Allowances	1.0
Write-off Loss on Leveraged Lease Transaction	(73.8)
Other (includes certain transaction costs)	(27.6)
	\$538.0

We significantly reduced our 5.75% RUS Series A Note, making a payment of \$140.2 million on the Unwind closing date and restructuring the RUS Series A Note to a generally level amount. We are obligated to make a payment to RUS of \$60.0 million by October 1, 2012, and another payment of \$200.0 million by January 1, 2016 in order to reduce our maximum permitted outstanding balances of our RUS debt in those years. Currently, we intend to refinance such debt in the capital markets. The RUS Series A Note continues to have a final maturity of July 1, 2021.

The non-interest bearing RUS Series B Note was also restructured in concert with the Unwind into a single “bullet” payment due December 31, 2023.

With the closing of the Unwind in 2009, 2010 will be our first full year of operating and maintaining our own generation assets. A major challenge in 2010 is lower projected revenues as a result of the lingering recession. Our 2010 budget reflects this impact with lower Member energy sales and lower prices for electricity in the wholesale market. We have responded with aggressive cost control measures. Every department within Big Rivers was asked to reduce cost. These cost containment measures included, not providing a salary increase for non-union employees, postponing preventative maintenance, as well as multiple other cost control measures.

We are currently budgeting for a MFI Ratio (as defined herein under the caption “Cooperative Operations – Coverage Ratio”) of 1.10 for 2010, as required by the Mortgage Indenture, which MFI Ratio will result in net margins of \$4.8 million. During the first three months of 2010, we achieved net margins of approximately \$9.5 million, \$6.3 million greater than budget. As described under “Financial Condition – As of March 31, 2010” herein, the results for the first three months of 2010 are not indicative of the remainder of the year. However, by combining the margins for the three months ended March 31, 2010 with the budget for the balance of 2010, we expect to be able to achieve a MFI Ratio of 1.15, which MFI Ratio will result in net margins of \$7.1 million.

Critical Accounting Policies

General

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. Our management exercises judgment in the selection and application of these principles, including making certain estimates and assumptions that impact our results of operations and the amount of our total assets and liabilities reported in our financial statements. We consider critical accounting policies to be those policies that, when applied by management under a particular set of

assumptions or conditions, could materially impact our financial results if such assumptions or conditions were different than those considered by management. Set forth below are certain accounting policies that are considered by management to be critical and to possibly involve significant risk, which means that they typically require difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Other significant accounting policies and recently issued accounting standards are discussed in Note One – “Significant Accounting Policies” of Notes to Financial Statements in APPENDIX A.

Use of Accounting Policies and Estimates

The application of accounting policies and estimates is a continuing process. As our operations change and accounting guidance evolves, our accounting policies and estimates may be revised. We have identified a number of critical accounting policies and estimates that require significant judgments. We base our judgments and estimates on experience and various other assumptions that we believe are reasonable at the time of application. Our judgments and estimates may change as time passes and more information about the environment in which we operate becomes available. If actual results are different than the estimated amounts recorded, adjustments are made taking the new information into consideration. We discuss our critical accounting policies, significant estimates and other certain accounting policies with our Board of Directors, as appropriate. Our critical accounting policies and significant estimates are discussed below.

Regulatory Accounting

Our accrual basis accounting policies follow the Uniform System of Accounts as prescribed by RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority over us and periodically issue orders and instructions on various accounting and ratemaking matters. Our operations meet the criteria for application of regulatory accounting treatment. As a result, we record approved regulatory assets and liabilities that result from the regulated ratemaking process that would not ordinarily be recorded under Generally Accepted Accounting Principles (“GAAP”). We had no Regulatory Assets at December 31, 2009 and our Regulatory Liabilities were \$207.3 million. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in Member rates. Regulatory liabilities generally represent amounts established by our regulator to mitigate the net effect on our Members of fuel and environmental surcharges and surcredits. These amounts are recorded in revenue as the underlying fuel and environmental costs are incurred. We continually assess whether any regulatory account we have is probable of future recovery by considering factors such as applicable regulatory environment changes, historical regulatory treatment for similar costs, recent rate orders to other regulated entities and the status of any pending or potential legislation. Based on this continual assessment, we believe our existing regulatory liabilities are probable of future refund. This assessment reflects the current political and regulatory climate at the state level, and is subject to change in the future. If future recovery of costs or refund of liabilities cease to be probable, the asset or liability write-off would be recognized in operating income.

Revenue Recognition

Revenues on sales of electricity are recognized as earned when the electricity is provided. Revenues under the wholesale power contracts for sales to Members including the Smelter Agreements are based on month-end meter readings and billed the month following the month of service.

Off-Balance Sheet Arrangements

As a result of terminating the Leveraged Lease Transactions, we had no off-balance sheet arrangements as of March 31, 2010.

Accounting for Loss Contingencies

We are involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of our financial statements, we make judgments regarding the future outcome of contingent events and record a loss contingency when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. We regularly review current information available to determine whether any such accruals should be adjusted and whether new accruals are required. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the financial statements may differ from the actual outcome once the contingency is resolved, which could have a material impact on our future operating results, financial position or cash flows. We had no contingent matters requiring accrual at December 31, 2009.

Depreciation of Utility Plant

Utility plant is recorded at original cost. Replacements of depreciable property units are also charged to utility plant. Replacements of minor items of property are charged to maintenance expense. We performed a depreciation study in 1998 that resulted in depreciation rates based on extended remaining service lives. Depreciation of utility plant is recorded using the straight-line method and rates based on the estimated remaining years of service determined by such study. This study, which significantly reduced depreciation expenses, was approved by the KPSC and the RUS in 1998 and made effective as of July 1, 1998. The study has remained in effect since that time.

We committed to the KPSC that we will complete a new depreciation study and include that study with a filing for a general review of its financial operations and its tariffs before July 16, 2012. Currently, we plan to complete the depreciation study late summer or early fall of 2010 and incorporate that study in our filing with the KPSC which is currently planned for mid-year 2011 with an effective date of January 1, 2012.

Accounting for Income Taxes

We were formed in 1961 as a tax exempt cooperative under section 501(c)(12) of the Internal Revenue Code. To retain exempt status, at least 85% of our receipts must be generated from transactions with our Members. In 1983, our sales to Members did not meet the 85% requirement due to sales to Non-Members. Since 1983, the Internal Revenue Service ("IRS") considers us a taxable organization. Beginning with 2010, post-Unwind, we believe that our sales to Members satisfy the 85% requirement and we now could qualify for exempt status. In order to qualify for exempt status we would need to apply to the IRS. We have no current intentions of applying for exempt status. We are also subject to Kentucky income tax.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the book basis and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse, be recovered or be settled. The probability of realizing deferred tax assets in the future is based on forecasts of future taxable income and the use of tax planning that could impact our ability to realize deferred tax assets. If future utilization of deferred tax assets is uncertain, a valuation allowance may be recorded against them.

In assessing the likelihood of realization of our deferred tax assets, we consider estimates of the amount and character, patronage or non-patronage, of future taxable income. Actual income taxes could vary from estimated amounts due to the impacts of various items, including changes in income tax laws, our forecasted financial condition and results of operations in future periods, as well as results of audits and examinations of filed tax returns by taxing authorities. Although we believe our assessment of our income tax estimates are reasonable, actual results could differ from the estimates.

At December 31, 2009, we had deferred tax assets of approximately \$49.8 million, of which \$21.0 million relates to net operating losses. At December 31, 2009, accrued net operating losses amounted to approximately \$53.1 million, expiring 2012. Additionally, at December 31, 2009, we had deferred tax liabilities of approximately \$23.8 million, which primarily relate to RUS Series B Note. Prior to the termination of our Leveraged Lease Transactions in 2008, we believed that it was more likely than not that we would recover deferred tax assets related to alternative minimum taxation. The termination of the Leveraged Lease Transactions removed an expected source of future taxable income and we determined that an increase in our valuation allowance was appropriate, resulting in a \$5.9 million charge.

Pension and Other Postretirement Benefits

We have noncontributory defined benefit pension plans covering approximately 100 of our 600 member work force. The salaried employees defined benefit pension plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit pension plan was closed to new hires effective November 1, 2008. For those not covered in the defined benefit plans, we established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed the retirement savings plans. The base contribution account is funded by employer contributions based on graduated percentages of the employee's pay, depending on age.

We also provide certain postretirement medical benefits for retired employees and their spouses. Generally, except for retirees who were part of the generation union, we pay 85% of the premium cost for all retirees age 62 to age 65. We pay 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, we pay 25% of the premium cost. Beginning at age 65, we pay 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, we establish a retiree medical account at retirement equal to \$1,200 per year of service up to 30 years (\$1,250 per year for those retiring on or after January 1, 2012). The account balance is credited with interest based on the 10-year Treasury Rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying 100% of the premium cost for the retiree and spouse.

The calculations of defined benefit pension expenses, other postretirement benefit expenses, and pension and other postretirement benefit liabilities, require the use of assumptions. Changes in these assumptions can result in different expenses and reported liability amounts, and future actual experience can differ from the assumptions. We believe the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate. Additionally, medical and prescription drug cost trend rate assumptions are critical in estimating other postretirement benefits.

Funding requirements for defined benefit pension plans are determined by government regulations. Our defined benefit pension plans are fully funded for ERISA purposes, and we have made additional voluntary contributions. At December 31, 2009, for the defined benefit pension plans, the present value of the accumulated benefit obligation exceeded the fair value of plan assets by \$3.2 million. We fund our other postretirement benefit plan obligations on a pay-as-you-go basis, on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for the other postretirement

benefits. At December 31, 2009, the present value of the projected benefit obligation for the other postretirement benefit plans was \$13.9 million

New Accounting Standards

FASB ASC 815, Derivatives and Hedging, established enhanced disclosure requirements concerning derivative instruments and hedging activities. This enhanced disclosure standard requires that objectives for using derivative instruments be disclosed in terms of underlying risk as well as accounting designation in order to better convey the risks that the entity is intending to manage through the use of derivatives. Entities are required to provide enhanced disclosures describing (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB ASC 815 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. We adopted this standard on January 1, 2009 and the adoption had no material effect on our financial position or operations.

FASB ASC 855, Subsequent Events, established a standard for disclosure of events that occur during the period between the balance sheet date and the date on which the financial statements are issued. This standard is effective for interim or annual financial periods ending after June 15, 2009. We adopted the disclosure requirements for subsequent events as outlined in ASC 855.

FASB ASC 105, Generally Accepted Accounting Principles, provides a codification of accounting standards that supersedes all previously existing non-SEC accounting and reporting standards and becomes the authoritative source of GAAP. FASB ASC 105 is effective for annual financial statements issued after September 15, 2009. We have adopted the Accounting Standard Codification established by FASB ASC 105.

Cooperative Operations

Utility Margins

We operate our electric business on a not-for-profit basis and, accordingly, seek to generate revenue sufficient to recover our cost of service and produce net margins sufficient to establish reasonable financial reserves, meet financial coverage requirements and accumulate additional equity as determined by our Board of Directors. Revenue in excess of expenses in any year is designated as net margins in our Statements of Operations. We designate retained net margins in our Balance Sheets as patronage capital which we assign to each of our patrons, including our Members, on the basis of its business with us. Any distributions of patronage capital are subject to the discretion of our Board of Directors and restrictions contained in the Mortgage Indenture. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants.”

Rate Structure

Under the wholesale power contracts, the Members pay us for all power and energy supplied at rates approved by the KPSC. The rates to all Members are bundled and include rates for capacity (also referred to as demand), energy, transmission, ancillary service and other special rates. In addition to the demand and energy rates, we have a fuel adjustment clause and an environmental surcharge clause, under which we can increase or decrease charges to the Members based on the variance between our actual cost and the cost included in our base rates. In addition to the rates listed above, under each Smelter Agreement, Kenergy charges each Smelter for purchased power not recovered in the fuel adjustment

clause above a base amount. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS.”

Coverage Ratio

Subject to any necessary regulatory approvals, such as KPSC approval and RUS approval, if required, the Mortgage Indenture requires us to establish and collect rates for the use or the sale of the output, capacity or service of our electric generation, transmission and distribution system which are reasonably expected to yield margins for interest, for the twelve-month period commencing with the effective date of the rates, equal to at least 1.10 times total interest charges on debt secured under the Mortgage Indenture during that twelve-month period (the “MFI Ratio”). The MFI Ratio is calculated by dividing the Margins for Interest for a period by the Interest Charges for such period. The definition of Margins for Interest takes into account any item of net margin, loss, gain or expenditure of any affiliate or subsidiary of ours only if we have received such net margins or gains as a dividend or other distribution from such affiliate or subsidiary or if we have made a payment with respect to such losses or expenditures. For the definition of “Margins for Interest” and “Interest Charges” see APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants.” The 2010 budget is set to achieve a \$4.8 million net margin and an MFI Ratio of 1.10. See “Financial Condition – *As of March 31, 2010*” herein.

Results of Operations

Sales to Members

Electric sales to our Members are made pursuant to wholesale power contracts with each Member. The table below sets forth the Sales to Members in MWhs for 2009, 2008 and 2007. The Smelter sales are shown both before and after the closing of the Unwind. Before the closing of the Unwind, we supplied only a small portion of the Smelters’ needs. Since the Unwind, we supply 850 MW of the Smelters’ needs. Our wholesale rate to Kenergy for the Smelters averaged \$46.22 per MWh for 2009. Smelter sales during 2010 will be for a full year of service and could approach 7.0 million MWhs.

Rural Member sales include residential and commercial loads. The 2009 rural Member sales reflect a .15 million MWh decline or a 6.28% decrease. This decline is attributable to the current recession and mild weather. Industrial Member sales were relatively flat over the three year period.

Smelter sales in 2008 were 1.16 million MWhs or 52.02% less than 2007. During 2007, the Smelters’ needs for power were in excess of the normal resources available to us. We purchased a large block of power for the Smelters from the open market.

Sales to Members
(in millions of MWhr)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rural Member	2.24	2.39	2.41
Industrial Member.....	0.92	0.93	0.92
Smelter (Pre-Unwind).....	0.58	1.07	2.23
Smelter (Post-Unwind)	2.89	0.00	0.00
	<u>6.63</u>	<u>4.39</u>	<u>5.56</u>

Sales to Non-Members

The table below sets forth the sales to Non-Members in megawatt-hours for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, we had access to all of the generation available from

our production assets, which enabled us to sell any excess on the open market. The excess generation was sold in the market to third parties, resulting in an increase of .40 million MWhs or 52%, as compared to 2008.

Sales to Non-Members in 2008 increased by .17 million MWhs, or 28%, from 2007. This increase, in part, reflects an increase in energy available to us from our contract with SEPA which is used to service native load resulting in the additional energy available from our E.ON purchase power contract for off-system sales.

Sales to Non-Members
(in millions of MWhr)

	2009	2008	2007
Non-Member	1.17	0.77	0.60

Other Revenue

The table below sets forth the other revenue for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, the lease payments from E.ON for our generation assets were terminated, resulting in a decrease of \$26.4 million or 45.18%. Other operating revenue was \$4.4 million or 42.62% greater than 2008. This increase is due to additional transmission revenue from our internal Non-Member energy services departmental activities. An off-set to this revenue increase is included in the operating expenses below. The 2008 lease revenue and other operating revenue were relatively flat from 2007.

Other Revenue
(in thousands)

	2009	2008	2007
Lease revenue	\$32,027	\$58,423	\$58,265
Other operating revenue	14,603	10,239	9,713
	\$46,630	\$68,662	\$67,978

Operating Expenses

The table below sets forth the Operating Expenses for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, we became responsible for the operating expenses for the generating fleet. These expenses resulted in increased operating expenses of \$130.8 million, primarily due to the increased Smelter power supply obligation that became effective with the Unwind closing. Depreciation expense increased, due primarily to the assets transferred to us by E.ON as part of the Unwind. This reflects an increase of \$1.4 million or 4.65%. Transmission expense increased \$6.8 million from 2008 due in part to our increased use of our available transmission capacity for off-system sales purposes. An off-set to this expense increase is included in the operating income shown above. Prior to the Unwind, we purchased all our power, while post-Unwind we generally purchase replacement power when our generation units are in outage. Approximately two-thirds of our purchased power expense is collected in revenue from the Smelters via two automatic rate pass-through provisions, with the remaining one-third associated with our Members' non-Smelter load being collected via (1) the two automatic pass-through provisions, while (2), the non-fuel adjustment charge purchased power adjustment is deferred for future recovery (a regulatory account) following a review by the KPSC. Currently we have a regulatory liability account, which following a future review by the KPSC, we will refund to our Members.

Power purchased and interchanged for 2008 was \$55.1 million or 32.47% less than 2007. During 2007, the Smelters' needs for power were in excess of the normal resources available to us. We purchased a large block of power for the Smelters on the open market.

Operating Expenses
(in thousands)

	2009	2008	2007
Fuel for electric generation.....	\$ 80,655	-	-
Power purchased and interchanged.....	116,883	\$114,643	\$169,768
Production, excluding fuel.....	22,381	-	-
Transmission and other.....	35,444	28,600	27,196
Maintenance.....	29,820	4,258	4,240
Depreciation.....	32,485	31,041	30,632
	<u>\$317,668</u>	<u>\$178,542</u>	<u>\$231,836</u>

Interest and Other Charges

The table below sets forth Interest and Other Charges for 2009, 2008 and 2007. Interest expense for 2009 was \$5.8 million less than 2008 due to the fact that we paid RUS \$140.2 million at closing of the Unwind and the decrease of the interest rate on our variable interest rate pollution control revenue bonds, including the Refunded Bonds. The increase in 2008 as compared to 2007 of \$4.8 million is primarily due to the credit downgrade of Ambac (the credit provider for our pollution control revenue bonds) and the resulting increase in the variable rate on our pollution control revenue bonds, including the Refunded Bonds. Additionally, we have amortized the loss from the termination of the Leveraged Lease Transactions from the buyout in 2008 until the closing of the Unwind in 2009. With the termination of the Leveraged Lease Transactions, we no longer consider that it is more likely than not we would recover our net deferred tax assets, therefore the alternative minimum tax credit carry forwards were expensed during 2008.

Interest and Other Charges
(in thousands)

	2009	2008	2007
Interest, net of capitalized interest.....	\$59,898	\$65,719	\$60,932
Interest on obligations related to long-term lease.	-	6,991	9,919
Amort. of loss from termination of lease.....	2,172	811	-
Income tax expense.....	1,025	5,934	-
Other, net.....	112	123	103
	<u>\$63,207</u>	<u>\$79,578</u>	<u>\$70,954</u>

Operating Margin

The table below sets forth the Operating Margin for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, we were responsible for all production expenses related to our generation fleet. A major 8.5 weeks planned outage for the Wilson Plant was completed in the fall of 2009 at a cost of \$9.3 million. This expense, coupled with the depressed power market prices off-system sale and lower Member sales due to weather and the recession, resulted in an the 2009 operating margin decrease of \$22.6 million or 149.90%

During 2008, primarily resulting from terminating the Leveraged Lease Transactions, operating margin decreased \$12.0 million from 2007, or 44.38%.

Operating Margin
(in thousands)

	2009	2008	2007
Operating Margin	\$(7,515)	\$15,061	\$27,080

Non-Operating Margin

The table below sets forth the amount of Non-Operating Margins for 2009, 2008 and 2007. The Non-Operating Margin in 2009 resulted from the closing of the Unwind. The Non-Operating Margins in 2008 and 2007, under the caption “Interest Income on restricted investments under the long-term lease” below, were from the Leveraged Lease Transactions, which have been terminated.

Non-Operating Margin
(in thousands)

	2009	2008	2007
Interest Income on restricted investments under long-term lease	-	\$8,742	\$12,481
Gain on Unwind.....	\$537,978	-	-
Interest income and other.....	867	4,013	7,616
	\$538,845	\$12,755	\$20,097

Net Margin

Primarily due to the closing of the Unwind, net margins were \$531.3 million in 2009, compared to \$27.8 million in 2008. This increase resulted in a dramatic improvement in our financial condition, with year end 2009 equities of \$379.4 million, 25.2% equities to total assets. While the Unwind and pre-Unwind operations generally render comparability of the 2009 net margins to prior years difficult, the key differences between 2009 and 2008 are briefly described in the following paragraph.

Other than the \$538.0 million gain on the Unwind, there are five significant items comprising the remaining \$34.5 million unfavorable 2009 net margins variance compared to 2008. First, power contracts revenue increased by \$126.6 million primarily due to the increased Smelter power supply obligation that became effective with the Unwind, offset by an \$139.1 million increase in operating expenses. Second, lease revenue was \$26.4 million unfavorable due to the Unwind closing. Third, interest expense decreased \$12.8 million primarily due to termination of the Leveraged Lease Transactions; we also paid down \$140.2 million of RUS debt on the Unwind closing date and our pollution control bonds bore lower variable interest rates. Fourth, income tax expense decreased \$4.9 million due to terminating the Leveraged Lease Transactions in 2008. Fifth, primarily due to termination of the Leveraged Lease Transactions, interest income decreased \$11.9 million. All other statement of operations items net to an increase of \$1.4 million.

Net Margin
(in thousands)

	2009	2008	2007
Net Margin.....	\$531,330	\$27,816	\$47,177

Financial Condition

As of March 31, 2010

We have included selected financial data for the three months ended March 31, 2010 in this Offering Statement. We have not, however, included data for the three months ended March 31, 2009 to be used for comparative purposes since the first quarter results of 2009 reflect operations of Big Rivers pre-Unwind and the first quarter results of 2010 reflect operations of Big Rivers post-Unwind.

Operating Revenues for the three months ended March 31, 2010 are much higher than last year primarily as a result of our supplying Kenergy with approximately 850 MW of the power necessary to supply a portion of its contractual obligations to the Smelters. In addition, with the Unwind we became responsible for certain fuel costs and environmental costs that were not our responsibility pre-Unwind. Our current contractual arrangements allow us to recover fuel adjustment surcharges and environmental surcharges both of which contributed to higher Operating Revenues as compared to the first quarter of 2009.

During the period ended March 31, 2010 of our \$137.2 million in Operating Revenues, we had approximately \$69.0 million in sales to the Smelters, approximately \$39.2 million in tariff sales to our non-Smelter Members and approximately \$25.6 million in off-system sales. A portion of the off-system sales relates to off-system sales we are making on behalf of Century of 100 MW because one of its potlines is currently down.

With respect to Operating Expenses for the period ended March 31, 2010, we instituted cost containment measures for this period because we expected lower Member energy sales and lower prices for electricity in the wholesale market as a result of the lingering recession.

We are currently budgeting for a MFI Ratio (as defined herein under the caption “Cooperative Operations – Coverage Ratio”) of 1.10 for 2010, as required by the Mortgage Indenture, based upon a net margin of \$4.8 million. By adequately controlling costs, we are projecting that we will be able to exceed the financial measure under our Mortgage Indenture of a MFI Ratio of 1.10. During the first three months of 2010, we achieved net margins of approximately \$9.5 million, \$6.3 million greater than budget. A return to a more normal regional weather pattern for our winter months and some recovery in the economy provided for stronger sales internally and externally. By combining the favorable year-to-date margins with the budget for the balance of 2010, we expect to be able to achieve a MFI Ratio of 1.15, based upon a net margin of \$7.1 million.

Off-system sales volume for the first quarter of 2010 was 643,069 MWh resulting in revenue of \$25.7 million. The forecast for the balance of the year reflects off-system sales volume of 981,115 MWh resulting in revenue of \$45.1 million.

As of December 31, 2009 compared to December 31, 2008

Our total assets increased to \$1,505.54 million as of December 31, 2009, from \$1,074.4 million as of December 31, 2008, reflecting cash and other compensation we received in connection with the Unwind. Working capital at December 31, 2009 increased \$119.6 million from that of 2008 as a result of the Unwind. Our long-term obligations decreased by \$153.0 million primarily reflecting the payment of \$140.2 million on our 5.75% RUS Series A Note on the closing date of the Unwind. Our equity increased to \$379.4 million as of December 31, 2009, from \$(154.6) million as of December 31, 2008, again reflecting compensation to us in connection with the Unwind. Operating revenues for the year ended December 31, 2009 were \$373.4 million as compared to \$273.2 million for the year ended December 31, 2008 as a result of the increase in sales to the Smelters after the Unwind.

Operating Expenses for 2009 increased to \$317.7 million as compared to \$178.5 million in 2008 as a result of increases in fuel, production, transmission and maintenance expenses after the Unwind.

Net margins were \$531.3 million in 2009 compared to \$27.8 million in 2008 primarily as a result of the Unwind.

As of December 31, 2008 compared to December 31, 2007

Our total assets decreased to \$1,074.4 million as of December 31, 2008, from \$1,314.2 million as of December 31, 2007, reflecting the termination of the Leveraged-Lease Transactions. Working capital at December 31, 2008 decreased from that of 2007, reflecting the \$107.1 million net cash payment and \$12.4 million promissory note (due December 15, 2009) required for the termination of the Leveraged-Lease Transactions. Our long-term obligations (excluding the obligations related to the Leveraged-Lease Transactions) decreased by \$35.0 million, primarily reflecting the principal payments made on the 5.75% RUS debt during 2008. Our liabilities exceeded our assets by \$154.6 million as of December 31, 2008, as compared to \$174.1 million as of December 31, 2007. This improvement reflects the net margin for 2008 of \$27.8 million, offset by an adjustment of \$8.3 million to accumulated other comprehensive income relating to FASB ASC 715 "Defined Benefit Plans."

Revenues for 2008 were \$273.2 million, compared to \$329.9 million for 2007. This \$56.8 million decrease in 2008 revenue results primarily from a large block of market power purchased for release to the Smelters in 2007. Off-setting most of the 2008 revenue reduction, operating expenses for 2008 decreased by \$53.3 million, also reflecting the large block of power purchased for the Smelters in 2007. Interest expense for 2008 increased by \$4.8 million over 2007, reflecting higher interest rates on our \$142.1 million variable rate tax-exempt pollution control bonds. The termination of the Leveraged Lease Transactions in 2008 generally accounts for the remainder of the 2008 net margin reduction compared to 2007.

Liquidity and Capital Resources

At December 31, 2009, we held cash and cash equivalents of approximately \$60.3 million. We expect to rely upon our cash flows from operations and existing cash and cash equivalents to fund our operating costs and capital requirements during 2010. A material adverse change in operations could impact our ability to fund our liquidity and capital requirements without a new borrowing. Ultimate cash flows from operations are subject to a number of factors, including, but not limited to, the weather, regulatory constraints, economic trends and market volatility.

In July 2009, we entered into a three year, \$50.0 million unsecured revolving credit agreement with CoBank. The CoBank credit agreement may be used for capital expenditures and general corporate

purposes. On May 12, 2010, the amount outstanding under the CoBank credit agreement was \$10.0 million.

In July 2009, we entered into a five year, \$50.0 million unsecured revolving credit facility with CFC. The CFC credit agreement may be used for capital expenditures, general corporate purposes or the issuance of letter of credit. As of May 12, 2010, letters of credit in the aggregate amount of \$5.9 million were outstanding under the CFC credit agreement.

Amounts available under these revolving credit facilities are accessible should there be a need for additional short-term financing. We expect that cash flows from operations and our existing cash and cash equivalents balance will be sufficient to fund our operating costs and capital requirements during 2010 through 2013.

For a discussion of financing for our projected capital expenditures, see “*Projected Capital Expenditures of Big Rivers Electric Corporation*” and “*Capital Requirements*” below.

Projected Capital Expenditures of Big Rivers Electric Corporation

We annually forecast expenditures required for additional electric generation and transmission facilities and capital for enhancement of existing facilities. We review these projections frequently in order to update our calculations to reflect changes in our future plans, construction costs, market factors and other items affecting our forecasts. Our actual capital expenditures could vary significantly from these projections because of unforeseen construction, changes in resource requirements, changes in actual or forecasted load growth or other issues. We project our 2010 capital expenditures to be \$40.8 million. Our long range capital plan details actual and projected construction requirements and system upgrades of approximately \$221.6 million for the years 2010 through 2013 as follows:

Projected Capital Expenditures

	2010	2011	Projected		Total
			2012	2013	
			(in thousands)		
Environmental Additions	\$ 4,339	\$ 7,988	\$11,793	\$ 5,636	\$ 29,756
New Transmission	5,211	4,612	-	-	9,823
Existing Base Load System Upgrades	-	-	-	-	-
Transmission	9,882	7,175	6,263	3,114	26,434
Generation	14,026	40,318	44,615	43,524	142,483
Administration	7,333	1,355	3,012	1,381	13,081
Total	\$40,791	\$61,448	\$65,683	\$53,655	\$221,577

Some of the more significant capital investments in generation and environmental additions that are represented in the table above for each year include: \$1.6 million on phase one of a dust collector replacement project at the Green Plant and the Wilson Plant for compliance with Title V of the Clean Air Act, as amended (the “Clean Air Act”); \$3.2 million on FGD life extension at the Wilson Plant; and \$1.1 million on a SO₃ mitigation project at the Wilson Plant during 2010.

During 2011 we plan to invest \$2.0 million on phase one of a project to elevate the dike for the waste water treatment facility at the Coleman Plant; another \$2.8 million on phase two of the dust collector replacement at the Green Plant and Wilson Plant; \$3.2 million in protective weld overlay on boiler tubes at the Coleman Plant and the Green Plant; \$3.8 million for phase one of a major FGD refurbishment project at the Green Plant; \$2.3 million on phase one of a project to apply protective coatings to the boiler, precipitator and scrubber structures at the Green Plant; \$1.0 million on precipitator

repairs at the Green Plant; \$2.2 million for low NO_x burner replacement at Station Two; \$2.2 million on phase two of the SO₃ mitigation project at the Wilson Plant; and \$1.0 million on phase two of the FGD life extension project at the Wilson Plant.

For 2012 capital investments include \$2.0 million on phase two of the dike elevation project for the waste water treatment facility at the Coleman Plant; \$2.5 million for protective weld overlay on boiler tubes at the Coleman Plant; \$3.1 million to replace the economizer and reheat sections in boilers at the Coleman Plant; \$1.0 million for a turbine overhaul at the Coleman Plant; \$1.6 million on phase two of the protective coating project at the Green Plant; \$1.9 million for precipitator repairs at the Green Plant; \$5.2 million on low NO_x burner replacement and a turbine overhaul at Station Two; and \$5.7 million on superheater tube replacement, and phase three of the FGD life extension project at the Wilson Plant.

In 2013 planned major investments include \$5.0 million in boiler tube and low NO_x burner replacements at the Coleman Plant; \$2.1 million in protective weld overlay on boiler tubes at the Coleman Plant and Wilson Plant; \$2.5 million in precipitator repairs at the Green Plant; \$3.8 million on phase three of the FGD refurbishment and protective coating projects at the Green Plant; \$4.0 million to replace the brick lining inside the scrubber exhaust stack at Station Two; \$1.3 million to replace medium voltage switchgear at Station Two; \$3.8 million to replace condenser tubes at the Wilson Plant; and \$5.6 million to replace low NO_x burners and boiler superheater tubes at the Wilson Plant. Additionally we will invest over \$8 million during this four year period in new or refurbished catalyst for the selective catalytic reductions (“SCR”) at the Wilson Plant and Station Two.

Capital expenditures for new transmission resources include increasing our available transfer capability for exporting power off system from approximately 912 MW to 1380 MW.

Historically, RUS loans and loan guarantees have provided the principal source of financing for rural electric cooperatives. While we have utilized these programs, we have also availed ourselves of tax-exempt bond financing, bank loans and leveraged lease financing to finance our electric system. Currently, RUS has a moratorium on any new loans for new base load coal or nuclear generation.

Capital Requirements

We expect to finance substantially all of our projected capital expenditures for the years 2010 through 2013 with internally generated funds.

Debt and Lease Obligations

In addition to the Refunded Bonds, we have outstanding \$58.8 million County of Ohio, Kentucky Pollution Control Refunding Bonds, Series 1983 (Big Rivers Electric Corporation Project) (the “Series 1983 Bonds”), which bear interest at variable rates. Currently, the Series 1983 Bonds are being held as bank bonds by the liquidity provider, bearing an interest rate of 3.25%, as the remarketing agent has been unsuccessful at marketing them at the prescribed maximum rate, 120% of the variable rate index.

On May 25, 2010, a regularly scheduled auction for our outstanding series of periodic auction reset securities (PARs), the Refunded Bonds, having a total principal amount of \$83.3 million, failed as the par amount of sell orders in the auction exceeded the par amount of buy orders by approximately \$4.3 million. As a result, the annual interest rate on the Refunded Bonds reset from 1.7% for the prior 28-day period to 18% for the current 28-day period, which is the maximum rate required under the terms of the Refunded Bonds in the event of a failed auction. At the end of the current period, the Refunded Bonds will be redeemed from the proceeds of the Bonds.

The scheduled maturities of our long-term debt at January 31, 2010 were as follows:

Payments Due by Period

	<u>Total</u>	<u>Remainder of 2010</u>	<u>2011</u>	<u>2012</u> (in millions)	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>
Long-Term Debt ⁽¹⁾	\$846.6	\$12.0	\$14.9	\$76.1	\$79.3	\$21.7	\$642.6

(1) In the operation of our business we have various other contracts for the purchase of electricity that are not included in the table above but are described elsewhere herein. For a discussion of our long-term power purchase obligations, see “GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources.”

Ratings Triggers

Our credit ratings as of the date of this Offering Statement are Baa1, stable outlook, from Moody’s Investor Service (“Moody’s”), BBB-, stable outlook, from Fitch Ratings (“Fitch”) and BBB-, stable outlook, from Standard & Poor’s Credit Market Services, a division of the McGraw-Hill Companies (“S&P”).

Under our loan agreement with RUS, if we fail to maintain two investment grade credit ratings, we must notify RUS in writing to that effect within five days after becoming aware of such failure. Next, within 30 days of the date of failing to maintaining two investment grade credit ratings, we must, in consultation with RUS, provide a written plan satisfactory to the RUS setting forth the actions that will be taken that are reasonably expected to achieve two investment grade credit ratings. Before we would be impacted by this restriction, both Fitch and S&P would have to downgrade us one rating step. In the case of Moody’s, its rating would have to be lowered three rating steps coupled with at least one rating downgrade from Fitch or S&P.

A change in our credit rating also would have an impact on our CoBank credit line. This agreement contains an adjustment to the annual fees and interest rate paid on any advances based on our existing credit rating. An improvement in the credit rating would lower our cost and deterioration in our credit rating would increase our cost under this agreement. This agreement allows us to utilize our highest credit rating in setting our fees and interest rates. Currently, Moody’s is our highest credit rating and sets the costs for us under this agreement. A one-step downgrade by Moody’s would result in a .0025% increase unused fee and a .25% increase in the interest rate margin.

RATE AND ENVIRONMENTAL REGULATIONS

General

Many aspects of our business are subject to a complex set of energy, environmental and other governmental laws and regulations at the federal, state and local level.

Kentucky Rate Regulation

The KPSC regulates our rates for the sale of wholesale power to our Members. Among other things, Kentucky law authorizes the KPSC to (i) approve our rates to be “fair, just and reasonable,” (ii) regulate our construction of new generation and transmission facilities by issuing certificates of public convenience and necessity, (iii) approve changes in ownership or control of us through sales of assets or otherwise, (iv) approve the issuance or assumption of any securities or evidence of indebtedness, other than to RUS, and (v) administer the state laws assigning each jurisdictional electric distribution utility the

exclusive right to provide retail electric service within specified geographic boundaries. The KPSC has approved the issuance of the Bonds. See “RISK FACTORS” for information relating to rate regulation by the KPSC.

RUS Regulation

In addition to the KPSC’s direct regulation of us, RUS has certain rights through its loan documents with us that impact our operations (i.e., RUS must consent to the construction of new facilities which are part of our electric system, certain sales or dispositions of property, our execution of certain types of contracts and our making of loans or investments).

Environmental Regulations

We are subject to various federal, state and local laws, rules and regulations with regard to air quality, water quality, waste management and other environmental matters.

These laws, rules and regulations often require us to undertake considerable efforts and substantial costs to obtain licenses, permits and approvals from various federal, state and local agencies. If we fail to comply with these laws, regulations, licenses, permits or approvals, we could be held civilly or criminally liable. Our operations are subject to environmental laws and regulations that are complex, change frequently and have tended to become more stringent over time. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities that are not in compliance.

Federal, state and local standards and procedures that regulate the environmental impact of our operations are subject to change. These changes may arise from continuing legislative, regulatory and judicial actions regarding such standards and procedures. Consequently, there is no assurance that environmental regulations applicable to our facilities will not become materially more stringent, or that we will always be able to obtain and renew all required operating permits. We cannot predict at this time whether any additional legislation or rules will be enacted that will affect our operations, and if such laws or rules are enacted, what the cost to us might be in the future because of such actions.

From time to time, we may be alleged to be in violation of or in default under orders, statutes, rules, regulations, permits or compliance plans relating to the environment. From time to time, we may be defending notices of violation, enforcement proceedings or challenges to draft or final construction or operating permits. In addition, we may be involved in legal proceedings arising in the ordinary course of business.

Clean Air

Clean Air Act. The Clean Air Act regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Many of the existing and proposed regulations under the Clean Air Act could have a disproportionate impact on coal-based power plants, in particular older plants such as ours, because older plants may not have originally been required to install the same pollution control equipment as newer facilities. On the other hand, as retrofits become available and feasible, we may incur greater costs than competing generating sources to bring facilities up to current standards. Several of our facilities have, in the past decade, been retrofitted with new pollution control equipment, including flue gas desulfurization and selective catalytic reduction equipment, in response to regulatory changes.

Acid Rain Program. The acid rain program requires nationwide reductions of SO₂ and NO_x emissions using a cap-and-trade program reducing allowable emission rates and allocating emission allowances to power plants for SO₂ emissions based on historical or calculated levels. We have sufficient SO₂ and NO_x (seasonal and annual) allowances to comply for the foreseeable future according to our modeled emissions and allowance allocations.

CAIR Program. In March 2005, the EPA issued the Clean Air Interstate Rule (“CAIR”), which was intended to reduce overall NO_x and SO₂ emissions on a regional basis effective in 2009 and 2010, respectively, with a second phase taking effect in 2015. The CAIR program authorized a cap-and-trade emissions allowance trading program, similar to that used in the Acid Rain Program which allowed sources to comply by trading emissions allowances instead of installing new pollution control systems. In addition, CAIR allowed sources to achieve compliance by surrendering SO₂ allowances issued under EPA’s acid rain program (Title IV), which would have allowed sources with excess Title IV emissions allowances to have achieved compliance at relatively low cost.

On July 11, 2008, the United States Court of Appeals for the D.C. Circuit vacated EPA’s CAIR regulations, remanding CAIR to EPA to issue new regulations consistent with the Clean Air Act and the court’s decision. Pursuant to the court’s decision, EPA may be required to expand the CAIR program and make it more stringent, which may require the inclusion of additional states or sources in the program on the basis of adverse effects on downwind states. Among other things, the court found that the regional cap-and-allowance trading programs established by the CAIR did not achieve the intended purpose of ensuring that upwind states did not prevent attainment of National Ambient Air Quality Standards in downwind states because emitters in upwind states could potentially buy large quantities of emissions allowances. The opinion also found that the criteria used by the EPA in setting caps for SO₂ emissions and in allocating NO_x emissions were inconsistent with the statutory criteria and with Title IV of the Clean Air Act. On December 23, 2008, the court modified its remand order so that the existing CAIR regulatory program will remain in place until EPA issues revised regulations that remedy the problems identified in the decision. The court’s decision creates uncertainty regarding future NO_x and SO₂ emissions reduction requirements and their timing. As a result of the decision, more stringent regulatory limits could be imposed, or there may be a delay or acceleration in the effective dates of federal requirements to reduce emissions. Based on the court’s decision, EPA may not be able to use emissions trading or the surrender of Title IV SO₂ allowances to achieve compliance, and may require sources to install new pollution control systems. EPA initially informed the court that development and finalization of a replacement rule could take approximately two years, but a replacement rule could be proposed as early as spring 2010. Big Rivers is in compliance with the current version of CAIR, but we are unable at this time to determine what impact the replacement rule will have on us.

Mercury. The Clean Air Act also provides for a comprehensive program for the control of hazardous air pollutants, including mercury, unless alternative programs are established that adequately protect health and the environment. In March 2005, the EPA issued the Clean Air Mercury Rule (“CAMR”), which regulated mercury emissions under an alternative program. This rule would have capped total annual mercury emissions from coal-fired plants across the United States through a two-phased program and established a cap-and-trade program similar to the acid rain program, in which the states were encouraged to participate. On February 8, 2008, the United States Court of Appeals for the D.C. Circuit struck down CAMR and returned the issue to EPA for reconsideration and further rulemaking. In connection with such rulemaking, EPA must treat mercury as a “hazardous air pollutant” subject to a more restrictive program requiring the installation of “maximum available control technology” in new and existing units. It is likely that EPA will issue more stringent regulations controlling mercury emissions from coal-fired plants. Regulations for mercury control are uncertain at this time, and will remain so until any future rulemakings. As a result, it is too early to determine what

impact, if any, such regulations may have on us. See also “*Multi-Pollutant Legislation*” below for a discussion of recent legislation proposed reductions of mercury emissions from electric utilities.

Multi-Pollutant Legislation. On February 4, 2010, Senators Tom Carper and Lamar Alexander introduced bill number S.2995, the Clean Air Act Amendments of 2010, to the United States Senate. The bill proposes mandatory emission reductions of NO_x, SO₂ and mercury from electric utilities, which would ultimately be more stringent than the emission controls under CAIR and CAMR. This bill is in the early stages of development, so we cannot predict whether it or similar multi-pollutant legislation will ultimately become law. As a result, it is too early to determine what impact, if any, such a law and any implementing regulations may have on us.

Regional Haze. On June 15, 2005, the EPA issued the Clean Air Visibility Rule, amending regulations governing visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources may be required to install best available retrofit technology (“BART”). The amended rules could result in requirements for newer and cleaner technologies and additional controls for particulate matter (“PM”), SO₂ and NO_x emissions from utility sources. Under the Clean Air Visibility Rule, the states were required to develop regional haze plans as part of their SIPs, and identify the facilities that would have to reduce emissions and then set BART emissions limits for those facilities. Kentucky submitted its regional haze SIP revisions to EPA on June 25, 2008. EPA has not yet approved or denied Kentucky’s regional haze SIP revisions.

All of Big Rivers’ facilities, except the Wilson Plant, were eligible for imposition of BART requirements under the haze SIP revisions. In June 2008, the Kentucky Division of Air Quality (“DAQ”) determined that each Big Rivers facility would be exempt from the requirement to install BART for SO₂, NO_x and PM emissions under its regional haze rule. The DAQ determination with respect to SO₂ and NO_x emissions was based on a previous EPA determination that states participating in the CAIR program would not have to require electricity generating facilities to install BART for SO₂ and NO_x emissions. Because the CAIR program is currently under review by EPA, it is possible that EPA’s earlier determination could change, requiring states to evaluate SO₂ and NO_x emissions from BART-eligible sources. Therefore it is possible that we will be required to install BART for SO₂ and NO_x emissions at certain facilities. The DAQ determination to exempt Big Rivers facilities from BART with respect to PM emissions was based on air quality modeling information submitted by Big Rivers to DAQ in May 2007. At that time, the modeling information showed that PM emissions from Big Rivers facilities were not contributing to regional haze at any Class I area.

National Ambient Air Quality Standards. The Clean Air Act also requires EPA to establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan (“SIP”) to reduce or control the emissions of that air pollutant in order to meet the standard and become an “attainment area.” EPA is in the process of reviewing NAAQS for certain air pollutants that are emitted by power plants including nitrogen dioxide, sulfur dioxide, ozone, and particulate matter. For example, on January 19, 2010, EPA published a proposed rule for a stricter NAAQS for ground-level ozone and, on January 25, 2010, EPA released a final rule establishing a stricter primary one-hour NAAQS for nitrogen dioxide. When a stricter NAAQS is finalized and becomes effective, air pollution sources including power plants, could face stricter emission standards. The impact of any new standards under the NAAQS program will depend on the final federal regulations and resulting revisions to Kentucky’s SIP, so we cannot determine such impacts at this time.

Opacity. PM emissions from our facilities have, in the past, resulted in notices of violation and occasional complaints from neighbors and local government agencies. The complaints have declined in

recent years, following the installation of SCR and/or FGD air pollution controls at the Wilson Plant, the Green Plant, the Henderson Plant and the Coleman Plant. Even though there have been improvements in some of the emissions characteristics, plume opacity and other impacts may continue to arise in connection with the installation and the operation of the SCR and FGD controls. Additionally, the scrubbed units at the Green and Wilson plants are “wet scrubbed” units with “wet stacks.” A phenomenon commonly associated with wet scrubbers is the occasional and unexpected appearance of a visible plume that begins some distance after the exhaust exits the stack. The actual cause of the plume is unknown. We continue to monitor the occurrence of the plumes and address Notices of Violations or other agency actions as they arise. Although no material fines or penalties have been assessed against us, we have sought permit amendments to address this issue. It is possible that additional investment or pollution controls may be required to reduce these impacts.

New Source Review. In 1999-2000, the U.S. Justice Department, acting on behalf of the EPA, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the New Source Review (“NSR”) provisions of the Clean Air Act. Generally, the government alleged that projects performed at various coal-fired units were major modifications, as defined in the Clean Air Act, and that the utilities violated the Clean Air Act when they undertook these projects without obtaining major source permits under the Prevention of Significant Deterioration (“PSD”) and/or Title V programs. As part of the enforcement effort, the EPA also sent requests for information letters to numerous other utilities requesting extensive and detailed information on the repairs and modifications made by those utilities to their coal fired boilers. In 2000, WKE received an information request from EPA, when it was the operator of the Big River facilities, and WKE submitted the requested information to EPA. To date, EPA has not requested any additional information.

In 2007, the U.S. Supreme Court upheld EPA’s definition of a major modification as one that increases the actual annual emission of a pollutant from a facility above the actual average for the two prior years, and, under President Obama’s administration, EPA has announced plans to enforce the NSR provisions. We cannot predict whether EPA or other governmental authorities will consider any of the past maintenance projects or capital improvements at our facilities to have violated NSR requirements as a result of the uncertain interpretation of this program and recent court decisions. If violations are established, we could be required to install new pollution control equipment in addition to the modifications that have already been completed or planned, and be liable for other payments or penalties.

Global Climate Change

CO₂, a major constituent of emissions from fossil-fuel combustion, and other GHGs are generally believed to be linked to global warming resulting in climate change. Control of such emissions is the subject of debate in the United States, on local, state and national levels. In the United States, no federal legislation limiting GHG emissions has yet been enacted, but there have been significant developments relating to monitoring and regulation of GHG emissions by EPA, certain state governments and regional governmental organizations. In addition, the United States Congress is considering federal legislation that could impose a cap-and-trade system or other measures to reduce GHG emissions, such as carbon tax.

EPA Regulatory Action under the Clean Air Act

On April 2, 2007, the United States Supreme Court issued a decision in *Massachusetts v. EPA* holding that GHG emissions are “air pollutants” under the federal Clean Air Act, thereby requiring EPA to determine whether GHGs pose a threat to public health and welfare. On December 15, 2009, EPA published the final rule for the “endangerment finding” under the Clean Air Act. In the finding, EPA declared that the six identified GHGs – CO₂, methane, nitrous oxide, hydrofluorocarbons,

perfluorocarbons, and sulfur hexafluoride – cause or contribute to global warming, and that the effects of climate change endanger public health and welfare by increasing the likelihood of severe weather events and the other related consequences of climate change. The issuance of the “endangerment finding” triggered the statutory requirement that EPA regulate emissions of GHGs as air pollutants from motor vehicles. Such regulations were finalized on April 1, 2010, when EPA and the United States Department of Transportation issued a joint final rule imposing GHG emission standards on light-duty vehicles (cars and light trucks). That regulation takes effect on January 2, 2011.

On March 29, 2010, EPA affirmed its position that air pollutants that are actually regulated under the Clean Air Act under any program must be taken into account when considering permits issued under other programs, such as the PSD permit program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of such sources. As a result of this determination, the effect of the new motor vehicle rule will be to require the analysis of emissions and control options with respect to GHG emissions from new and modified major stationary sources as of January 2, 2011, which is the date the new motor vehicle rule takes effect. Permitting requirements for GHGs will include, but are not limited to, the application of Best Available Control Technology (known as “BACT”) for GHG emissions, and monitoring, reporting and recordkeeping for GHGs.

On May 13, 2010, EPA issued a final rule for determining the applicability of the PSD program to GHG emissions from major sources. The rule, known as the “Tailoring Rule,” establishes criteria for identifying facilities required to obtain PSD permits and the emissions thresholds at which permitting and other regulatory requirements apply. The applicability threshold levels established by this rule include both a mass-based calculation and a metric known as the carbon dioxide equivalent, or CO₂e, which incorporates the global warming potential for each of the six individual gases the comprise the collective GHG defined in the endangerment finding.

On January 2, 2011, sources that are subject to PSD and/or Title V permits due to their non-GHG emissions (such as fossil-fuel based electric generating facilities for their NO_x, SO₂ and other emissions) will have to address GHG emissions in new permit applications or renewals. Construction or modification of major sources will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year on a CO₂e basis. New and modified major sources requiring to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. EPA intends to issue guidance before the end of 2010 on the technologies or operations that would constitute BACT for GHGs. With respect to Title V requirements, as of January 2, 2011, sources that are required to have Title V permits for non-GHG pollutants will be required to address GHGs as part of their Title V permitting. The 75,000 tons per year CO₂e applicability threshold does not apply, so when any source applies for, renews, or revises a Title V permit, then Clean Air Act requirements for monitoring, recordkeeping and reporting will be included. Additional phases of implementation of the Tailoring Rule apply only to sources that are not currently subject to PSD and/or Title V requirements, and are therefore not applicable to our facilities, each of which is subject to one or both of the federal permits.

On October 30, 2009, the EPA published the final rule for mandatory monitoring and annual reporting of greenhouse gas emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection to beginning January 1, 2010, and the first annual reports due March 31, 2011.

Our costs of compliance with these new regulations are not fully known at this time. The requirements for monitoring, reporting and record keeping with respect to GHG emissions from existing

units should not have a material adverse effect, but the consequences of new permit requirements in connection with new units or modifications of existing units could be significant, as could any new proposed regulations affecting permitting and controls for our existing units.

Federal Legislation

The United States Congress is currently considering several energy and climate change-related pieces of legislation that propose, among other things, a cap-and-trade system to regulate and reduce the emission of CO₂ and other GHGs and a federal renewable energy portfolio standard. One such bill, H.R. 2454, known as the American Clean Energy and Security Act of 2009, was passed by the House of Representatives on June 26, 2009. That bill, and several other energy and climate change-related legislative proposals are currently being considered by the Senate. On May 12, 2010, Senators Kerry and Lieberman made public the text of a proposal entitled the American Power Act, which is expected to be considered. The impact that federal GHG cap-and-trade legislation will have on the electric utility industry and our business depends largely on the specific provisions of the legislation that ultimately become law. Some of the important issues that could be addressed in cap-and-trade legislation include: the timing and magnitude of the emissions cap; the extent to which emissions allowances are allocated or auctioned to the highest bidder; and the extent to which emissions may be offset by other actions. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any enactment of statutes to regulate GHG emissions will have a significant impact on fossil-fueled generation facilities.

Litigation

Many of the issues raised by global climate change are being litigated in courts throughout the United States. For example, recent litigation is raising for judicial review the question of whether a federal agency must consider the impact of GHG emissions in the National Environmental Policy Act environmental review process. Pending cases are also alleging that GHG emissions from electric generation are causing a public nuisance and should be abated by electric generation facilities. We cannot currently predict how GHG emissions issues will arise in connection with pending or future permit proceedings or whether litigation based on climate change issues will adversely affect our operations, or our construction and development plans.

Water

The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System (“NPDES”) permit program. Such permits are issued for five-year periods and continue in effect if renewal applications are timely filed. At the present time, applications for renewal of some of our NPDES permits are awaiting review by the Kentucky Division of Water. We have all other material required permits under the program for all of our electric generating plants. The water quality regulations require us to comply with Kentucky’s water quality standards, including sampling and monitoring of the waters discharged from the facilities. We continually sample and monitor the discharges and report the results thereof in accordance with our permits.

Section 316(b) of the Clean Water Act requires the EPA to ensure that the location, design, construction and capacity of cooling water intake structures reflect the best technology available to protect aquatic organisms from being killed or injured by impingement or entrainment. In February 2004, the EPA issued final regulations establishing standards for cooling water intake structures at existing large power plants. The rule provided several compliance alternatives for existing plants such as using existing technologies, adding fish protection systems or using restoration measures.

On January 25, 2007, the United States Second Circuit Court of Appeals remanded key components of the Clean Water Act 316(b) Phase II Rule. The court ruled that EPA could not allow use of restoration measures to satisfy performance standards, nor could it consider cost-benefit analysis in selecting “best technology available.” The United States Supreme Court heard the appeal of the Second Circuit decision and held on April 1, 2009, that it is permissible for utility companies and regulators to apply cost-benefit analysis under the Clean Water Act. EPA is in the process of developing a new rule consistent with the Supreme Court’s decision.

The impact of Section 316(b) on Big Rivers’ is limited to the Reid Plant and the Coleman Plant. The degree of such impact will depend upon the form of the new rule that EPA publishes. If EPA allows a cost-benefit analysis to determine the best technology available, we expect the impact to the Reid Plant and the Coleman Plant will be minimal based on information obtained from previous studies conducted on the quantity and type of fish impinged on the intake screens at Reid Station and Coleman Station.

Other Environmental Matters

The Comprehensive Environmental Response, Compensation and Liability Act. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (“CERCLA” or “Superfund”), requires cleanup of sites from which there has been a release or threatened release of hazardous substances and authorizes the EPA to take any necessary response action at Superfund sites, including ordering potentially responsible parties (“PRPs”) liable for the release to take or pay for such actions. PRPs are broadly defined under CERCLA to include past and present owners and operators of, as well as generators of wastes sent to, a site. We historically have sent wastes, such as coal ash or wastewater that could have included hazardous substances, to third-party disposal sites or treatment plants. Based on such disposal, Big Rivers can become a PRP with respect to such sites. We are not aware of any material liabilities with respect to such disposal, but can provide no assurance that such liabilities will not be asserted in the future. In addition, we have experienced and are likely to continue to experience in the future spills and releases of fuel oil and other materials that could trigger cleanup obligations under CERCLA and result in additional compliance costs. As a result, there can be no assurance that we will not incur liability under CERCLA in the future.

Electro-Magnetic Fields. A number of electrical industry studies have been conducted regarding the potential long-term health effects resulting from exposure to electro-magnetic fields (“EMF”) created by high voltage transmission and distribution equipment. At this time, any relationship between EMF and certain adverse health effects appears inconclusive; however, electric utilities have been experiencing challenges in various forms claiming financial damages associated with electrical equipment which creates EMF. In the future, if the scientific community reaches a consensus that EMF presents a health hazard, we may be required to take remedial actions at our facilities. The cost of these actions cannot be estimated with certainty at this time. Such costs, however, could be significant, depending on the particular mitigation measures undertaken, especially if relocation of existing power lines is required.

Coal Ash. Our coal-based generating facilities produce coal ash waste that requires disposal. We dispose of the coal ash in our onsite landfills and impoundments and possess the proper industrial solid waste permits to operate our landfills in accordance with local, state and federal regulations and laws. However, we must continually expand the capacity of our landfills and waste management facilities to accommodate larger amounts of ash. If we become unable to dispose of coal ash on site, our disposal costs may increase considerably. On the other hand, we are continually evaluating methods for beneficial reuse of waste ash. Currently, all of the ash we generate is exempt from regulation as “hazardous waste.”

On May 4, 2010, the EPA released the text of a proposed rule describing two possible regulatory options it is considering under the Resource Conservation and Recovery Act (“RCRA”) for the disposal

of coal ash generated from the combustion of coal by electric utilities and independent power producers. Under either option, EPA would regulate the construction of impoundments and landfills, and seek to ensure the both the physical and environmental integrity of disposal facilities.

Under the first proposed regulatory option, EPA would list coal ash destined for disposal in landfills or surface impoundments as “special wastes” subject to regulation under Subtitle C of RCRA. Subtitle C regulations set forth EPA’s hazardous waste regulatory program, which regulate the generation, handling, transport and disposal of wastes. The proposed rule would create a new category of waste under Subtitle C, so that coal ash would not be classified as a hazardous waste, but would be subject to many of the regulatory requirements applicable to such wastes. Under this option, coal ash would be subject to technical and permitting requirements from the point of generation to final disposal. Generators, transporters, and treatment, storage and disposal facilities would be subject to federal requirements and permits. EPA is considering imposing disposal facility requirements such as liners, groundwater monitoring, fugitive dust controls, financial assurance, corrective action, closure of units, and post-closure care. This first option also proposes requirements for dam safety and stability for surface impoundments, land disposal restrictions, treatment standards for coal ash, and a prohibition on the disposal of treated coal ash below the natural water table. The first option would not apply to certain beneficial reuses of coal ash.

Under the second proposed regulatory option, EPA would regulate the disposal of coal ash under Subtitle D of RCRA, the regulatory program for non-hazardous solid wastes. Under this option, EPA is considering issuing national minimum criteria to ensure the safe disposal of coal ash, which would subject disposal units to location standards, composite liner requirements, groundwater monitoring and corrective action standards for releases, closure and post-closure care requirements, and requirements to address the stability of surface impoundments. Existing surface impoundments would not have to close or install composite liners and could continue to operate for their useful life. The second option would not regulate the generation, storage, or treatment of coal ash prior to disposal, and no federal permits would be required.

The proposed rule also states that EPA is considering listing coal ash as a hazardous substance under CERCLA, and includes proposals for alternative methods to adjust the statutory reportable quantity for coal ash. The extension of CERCLA to coal ash could significantly increase our liability for cleanup of past and future coal ash disposal.

EPA has not decided which regulatory approach it will take with respect to the management and disposal of coal ash. We are therefore unable to determine the effects of this proposed rule at this time.

As part of EPA’s scrutiny of how ash impoundments are permitted and operated, EPA recently assessed ash impoundments at many facilities throughout the country, including some of our facilities, even though our ash impoundments are not of the same type and construction involved in the Kingston Plant ash spill and therefore do not pose the same kinds of risks. A dam safety assessment report for Reid Station, Green Station and Station Two was prepared for EPA in December 2009. All of the ash ponds at these facilities received “fair” ratings – a rating that reflected EPA’s view that our geotechnical information was not complete – but no critical deficiencies were noted. Minor repairs required by EPA during this review will be completed during the 2010 construction season. We have commenced the geotechnical investigation recommended by EPA in connection with the assessment, which is scheduled to be completed for all facilities by the end of 2011. Coal ash waste management and disposal is an evolving issue and we expect to continue to incur costs to upgrade and expand our ash impoundments as regulations change.

FERC Regulation

As a RUS-financed utility, our sale of power at wholesale and certain aspects of our transmission of power in interstate commerce are not regulated by FERC. If we were not a RUS-financed public utility, those functions would be regulated by FERC. FERC has jurisdiction under the Federal Power Act, however, to require us to provide transmission services to third parties at rates and on terms and conditions comparable to our own use of our transmission services. We are a transmitting utility subject to interconnection and transmission orders under Sections 210, 211 and 212 of the Federal Power Act, as amended by the Energy Policy Act of 1992 (“EPAAct 1992”). We also are subject to FERC transmission orders to the extent that they apply to non-jurisdictional utilities and to reciprocity tariffs as described below. In the absence of regulation by FERC, the KPSC has asserted jurisdiction over what would otherwise be FERC jurisdictional activities.

EPAAct 1992

EPAAct 1992 made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the wholesale electric power supply market. These changes have increased, and will continue to increase, competition in the electric utility industry. Specifically, EPAAct 1992 provided that any electric utility, federal power marketing agency or any other person generating electric energy for sale for resale may apply to FERC for an order requiring a transmitting utility like us to provide transmission services to the applicant. After notice and an opportunity for hearing, FERC may issue an order requiring such transmission service to be provided, subject to appropriate compensation to the utility providing such service. However, EPAAct 1992 specifically denied FERC authority to require “retail wheeling” under which a retail customer of one utility could obtain electric power and energy from another utility or nonutility power generator and require a transmitting utility to “wheel” it to the retail customer.

Order No. 888 and Successor Orders

In 1996, to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient lower cost power to the nation’s electricity consumers, FERC issued Orders Nos. 888 and 889. Orders Nos. 888 and 889, as amended by Orders Nos. 888-A and 889-A in 1997, were intended to deny to public utilities any unfair advantage over competitors resulting from their ownership and control of transmission facilities and required FERC-jurisdictional public utilities to file pro forma, open access, nondiscriminatory transmission tariffs. In Order Nos. 890, 890-A and 890-B, issued (respectively) in February and December 2007 and June 2008, FERC reaffirmed and modified the requirements under Order Nos. 888 and 888-A, specifically, by modifying the transmission tariff provisions on (among other things) calculating available transfer capability, transmission planning, point-to-point transmission service options, energy imbalance service, rollover rights for long-term firm transmission service, and the price caps on capacity reassignments. Under the reciprocity requirement adopted in Order No. 888 and reaffirmed in Order No. 890, non-jurisdictional utilities like us must provide comparable transmission service as a condition of receiving service from jurisdictional utilities under the pro forma tariff. Our transmission facilities located in the Eastern Interconnection are under a transmission tariff that has been approved by FERC. We developed those tariffs to buy and sell electricity using the transmission systems of regulated utilities, as required by FERC’s reciprocity requirement.

Energy Policy Act of 2005

On August 8, 2005, President Bush signed into law the Energy Policy Act of 2005 (“EPAct 2005”). The significant provisions of EPAct 2005 that could affect us are in the areas of (1) reliability; (2) siting of new transmission facilities; (3) potential FERC authority over transmission service and the rates of non-rate-regulated utilities; (4) native load obligations; and (5) expansion of FERC’s enforcement authority. In addition, Congress repealed the Public Utility Holding Company Act of 1935 (“PUHCA 1935”), and replaced it with the Public Utility Holding Company Act of 2005 (“PUHCA 2005”), thereby effectively repealing many of the more onerous provisions of PUHCA 1935. As an electric cooperative, we generally are not subject to the new requirements of PUHCA 2005. EPAct 2005 also created incentives for the construction of transmission facilities; gave FERC authority to establish mandatory reliability standards through a new entity that FERC will certify as the Electric Reliability Organization (“ERO”); authorized the DOE and FERC to grant permits enabling entities, in certain circumstances, to use a federal right of eminent domain to build new transmission lines; and adopted provisions enabling transmission providers to reserve transmission capacity for their native load service obligations. FERC has adopted regulations to implement the new regulations and requirements concerning siting, transmission access, native load preferences and enforcement.

Concerning the expansion of FERC’s authority to order transmission access to transmission systems owned or operated by non-rate-regulated utilities, EPAct 2005 added new section 211A to the Federal Power Act. Section 211A authorizes FERC to order non-rate-regulated utilities like us to provide transmission service at rates and terms that are comparable to those by which the non-rate-regulated utility provides transmission service to itself. However, the non-rate-regulated utilities subject to any such requirements are not subject to the full panoply of FERC regulations applicable to transmission-owning public utilities. FERC also is required, with certain limited exceptions, to exempt any non-rate-regulated utility that sells less than 4 million kWh per year. FERC has declined to order transmission access pursuant to Section 211A on a generic basis, and instead will act, if at all, on a case-by-case basis.

NERC has been certified by FERC as the ERO. NERC’s mandatory reliability standards, which are subject to FERC review and approval, apply to any entity that owns, operates or uses the bulk power system. EPAct 2005 authorizes FERC and the ERO to impose penalties for violations of the reliability standards. In March and July 2007, FERC issued (respectively) Order Nos. 693 and 693-A largely approving the reliability standards initially filed by NERC for FERC review and approval. FERC also directed NERC to consider revisions to a number of the standards, and other reliability standards and amendments proposed by NERC remain pending before FERC. As an owner and operator of generation and transmission facilities, we are subject to certain of the NERC reliability standards. We are currently scheduled for a routine audit of our compliance with the reliability standards. The audit is scheduled to occur at our facility from May 24 to May 28 of this year. If the auditors identify areas of non-compliance, we could be subject to penalties or sanctions.

EPAct 2005 also added new sections 220, 221 and 222 to the Federal Power Act, which generally prohibit fraud and manipulation in the energy markets and promote price transparency. Under FERC’s implementing rules, the anti-fraud rules apply to all entities, including non-jurisdictional utilities, to the extent they engage in activities or transactions in connection with sales and transmission services subject to FERC’s public-utility jurisdiction.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management Policies

We are exposed to significant market risks associated with electricity and coal prices, counterparty credit exposure, interest rates and equity prices. Interest rate risk is associated with the changes in interest rates that impact our variable rate debt instruments and fixed income investments. Our energy related commodity price risks involve changes in the market price of power natural gas, and solid fuels and the impact of such changes on our ability to generate sufficient revenue to cover our operational costs. We have established comprehensive risk management policies to monitor and manage these risks. Our vice president of enterprise risk management is responsible for monitoring and reporting on our risk management policies, including delegation of authority levels. We have an Internal Risk Management Committee that regularly meets and the vice president of enterprise risk management reports to the Board of Directors monthly. The vice president of enterprise risk management is responsible for oversight of market risk, credit risk, etc., including monitoring exposure limits.

To manage our market risks, we may enter into various derivative instruments including swaps, forward contracts, futures contracts and options. Management believes adequate safeguards, reporting mechanisms, and procedures are in place to protect us from unauthorized use of such derivative instruments. We have established certain risk management strategies relating to the sales and purchase prices for the commodities which form our core business, in order to provide insulation from volatile market prices. With respect to our power sales, our Board of Directors has established guidelines which are intended to ensure that derivatives and other financial instruments are used for hedging purposes and not for speculation. Those guidelines provide that hedging activity shall be used only to minimize risk and not to create any greater risk. Risk management status and performance must be reported to our Board of Directors on a monthly basis, and that counterparties must meet capitalization requirements before we will engage with such counterparty.

Electricity and Coal Price Risk

We are exposed to the impact of market fluctuations in the prices of electricity and coal as a result of our ownership and operation of electric generating facilities. Our exposure to coal and purchased power risk is limited by cost-based Member rate recovery through two cost-recovery clauses, namely the fuel adjustment clause ("FAC") and the non-FAC purchased power adjustment. Due to timing of the cost-recovery, there is a two month lag for the FAC between when costs are incurred and when the Member portion is recovered through rates. For the non-FAC purchase power adjustment due to timing of the cost recovery, there is a two month lag between when the costs are incurred and when the Member-Smelter portion is recovered through rates that represent approximately two-thirds of the costs. The remaining one-third of the non-FAC purchase power adjustment cost is deferred as a regulatory account and we will seek recovery from the KPSC during a request to adjust base rate. This request will be presented to the KPSC during 2011 to be effective January 1, 2012.

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or coal. Because we are long on power, both capacity and energy, we are exposed to the illiquidity of the long-term power market and volatility of the market price of electricity and coal. Our long position in the energy market is approximately 150 MWs or 8% of our availability capacity. The excess capacity and energy will be consumed in the future through normal growth. Further, price risk resulting from the volatility in the price of coal is off-set by a month recovery rider for fuel that has been approved by the KPSC.

We generally only enter into market power sales contracts that qualify for the normal sales and purchases exception. Income recognition and realization related to normal sales and normal purchases contracts generally coincide with the physical delivery of the power. For all such contracts, as long as completion of the transaction remains probable, no recognition of the contract's fair value is required to be reported in our financial statements until settlement or physical delivery.

Marketable Securities Price Risk; Pension Plan Assets

We maintain investments to fund the cost of providing our non-contributory defined benefit retirement plans. Those investments are exposed to price fluctuations in equity markets and changes in interest rates. We have established asset allocation targets for our pension plan holdings that take into consideration the investment objectives and the risk profile with respect to the trust in which the assets are held. Our target asset allocation for equity securities is 65% of the value of the plan assets and the holdings are diversified to achieve broad market diversification to reduce exposure to and any adverse impact of a single investment, sector or geographic region. A significant decline in the value of plan asset holdings could require us to increase our funding of the pension plan in future periods, which could adversely affect cash flows in those periods. Additionally, a decline in the fair value of plan assets, absent additional cash contributions to the plan, could increase the amount of pension cost required to be recorded in future periods, which could adversely affect our results of operations in those periods. A 10% decline in the fair value of our plan assets equals \$2.2 million.

Interest Rate Risk

We are exposed to risk resulting from changes in interest rates as a result of the use of variable rate debt as a source of financing as well as the fixed income investments in our various portfolios. We manage our interest rate exposure by limiting the total amount of our variable rate exposure to within a particular amount of our total debt and by actively monitoring the effects of market changes in interest rates. As of December 31, 2009, \$706.5 million of \$848.6 million of outstanding long-term indebtedness secured under the Mortgage Indenture accrued interest at fixed rates to their final maturity. As of December 31, 2009, we had outstanding variable rate debt of \$142.1 million. This debt consists of the Refunded Bonds and the Series 1983 Bonds which mature in 2013.

Commodity Price Risk

The average rate to our Members is affected by the price we can obtain in the market for energy produced by our generating facilities in excess of the Members' requirements. Higher prices produce greater Non-Member revenue that is used to offset Member revenue requirements. Our exposure to the risk of fluctuating power prices is declining as our historically high levels of excess generation are being used to meet our increasing Member requirements, including the Smelters. Our excess capacity generation in 2010 is approximately 8%.

Additionally, if one or more of our generating facilities is not able to produce power when required due to operational factors, we may have to forego Non-Member sales opportunities or purchase energy in the wholesale market at higher prices to meet Member requirements.

Credit Risk

Credit risk represents the loss that we would incur if a counterparty failed to perform under its contractual obligations. To reduce credit exposure, we establish credit limits and seek to enter into netting agreements with counterparties that permit it to offset receivables and payables. To control our credit risk associated with credit sales of power we utilize a credit approval process, monitor counterparty

limits and require that counterparties have adequate credit ratings. We attempt to further reduce credit risk with certain counterparties by entering into agreements that enable us to obtain collateral or to terminate or reset the terms of transactions after specified time periods or upon the occurrence of credit-related events. Where appropriate, we also obtain cash or letters of credit from counterparties to provide credit support outside of collateral agreements, based on financial analysis of the counterparty and the regulatory or contractual terms and conditions applicable to each transaction.

We generally execute only physical delivery contracts. We frequently use master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit in excess of an established threshold. The threshold amount represents an unsecured credit limit, determined in accordance with our credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Due to the possibility of extreme volatility in the prices of energy commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If such a counterparty were then to fail to perform its obligations under its contract, we could sustain a loss that could have a material impact on our financial results. The probability of a material impact is lessened by the fact that we only have a relatively small amount of power to sell long-term and presently do not plan on transacting multi-year long-term contracts.

OUR MEMBERS

General

Our Members are local consumer-owned cooperative corporations serving retail residential, commercial and industrial customers on a non-profit basis. The territories served by our Members include portions of 22 counties in western Kentucky. Our Members serve approximately 112,000 consumers. The majority of our Members' customers are individual residences.

Territorial Integrity

Distribution cooperatives generally exercise a monopoly in their service areas. Under a Kentucky statute adopted in 1972, the Members are "Retail Electric Suppliers" that are certified by the KPSC as the exclusive suppliers of energy to their respective certified service areas. Thus, the Members are the exclusive suppliers of energy to electricity consumers located in their respective certified service areas. If a Retail Electric Supplier is providing adequate service within its certified territory, other Retail Electric Suppliers may not sell power to retail customers located within that certified territory. Municipal utilities are not Retail Electric Suppliers under the statute. If a new electric consuming facility locates in two or more adjacent certified territories, the KPSC determines which Retail Electric Supplier may provide retail electric service to that facility based on a number of factors, designed to avoid wasteful duplication of electric generation facilities.

Rate Regulation of Members

The KPSC regulates the retail energy rates of the Members. Under Kentucky law, a utility may revise its rates on 30 days' notice to the KPSC of the proposed changes and the effective date of such changes. The KPSC has the statutory power to suspend such changes pending a hearing for a period not to exceed six months from the proposed effective date of such changes. This suspension period begins with the effective date named by the utility, and thus, the utility may avoid or minimize the effect of such

suspension by naming an early effective date in its notice to the KPSC. Rate changes may be placed in effect, in whole or in part, during any such suspension period on a finding by the KPSC that an emergency exists or that the utility's credit or operations will be materially impaired by the suspension. Rates placed into effect on an emergency basis are subject to refund to the extent that the final rates approved by the KPSC are lower than the emergency rates. The KPSC's decision on a new rate schedule filed by a utility must be issued not later than ten months after the filing of the rate schedule.

Member Information

Financial Information

Our Members operate their systems on a not-for-profit basis. Accumulated margins constitute patronage capital for the consumer members. Refunds of accumulated patronage capital to the individual consumer members are made from time to time on a patronage basis subject to limitations contained in Member mortgages to the RUS, if applicable.

Our Members are our owners and not our subsidiaries. Except with respect to the obligations of our Members under their respective wholesale power contracts and the Smelter Agreements, we have no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of our Members, other than our rights under these contracts. The revenues of our Members are not pledged to us, but their revenues are the source from which they pay for power and energy and transmission services purchased from us. Revenues of our Members are, however, often pledged under their respective mortgages. Tables 1 and 2 in Appendix B present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to our Members.

Statistical Information

We serve directly and indirectly a diverse customer base that includes farms and residences, commercial and industrial facilities, mining, irrigation and other miscellaneous customers. Farm and residential customers constitute the largest class of customers in terms of numbers throughout the Member service areas. The table below shows energy sales and revenue by customer class for the year 2009 for our Members.

2009 Sales By Members ⁽¹⁾

	kWh Sales (in thousands)	kWh Sales (%)	Revenue (in thousands)	Revenue (%)
Farm & Residential	1,433,379	15%	\$100,947	24%
Commercial and Industrial (excluding the Smelters)	1,668,503	17%	77,133	18%
Aluminum Smelters.....	6,672,110	68%	241,379	58%
Mining	--	--	--	--
Other	--	--	--	--
Total	9,773,992	100%	\$419,459	100%

(1) The information in this table has been compiled by us from information obtained from the Annual Statistical Report Rural Electric Borrowers (Publication 201.1) and RUS Form 7 prepared by our Members and filed with RUS. We have not independently verified this information.

THE SMELTER AGREEMENTS

We and Kenergy have entered into electric service arrangements with the Smelters. The Smelters have largely identical obligations under the agreements described below, so the following discussion does not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint.

The principal terms and conditions relating to our sale of electric services to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The basic structure of the sale of electric services is that we sell the electric services to Kenergy and then Kenergy in turns sells those electric services to each Smelter. Because the Smelters are customers of Kenergy, Big Rivers has entered into two, separate wholesale service agreements (each a “Smelter Agreement”) with Kenergy. Under each Smelter Agreement, we supply Kenergy with electric service for resale to a particular Smelter. Kenergy has entered into a separate retail electric service agreement (a “Smelter Retail Agreement”) with each Smelter. We and each Smelter have also entered into a Smelter Coordination Agreement (a “Smelter Coordination Agreement” and, together with the Smelter Agreements and the Smelter Retail Agreements, the “Smelter Agreements”) that sets forth certain direct obligations between us and a Smelter. Due to the pass-through nature of the principal obligations between us and each Smelter, the Smelter Agreement and the Smelter Retail Agreement relating to each Smelter are substantially the same.

The aggregate amount of energy made available to the Smelters under the Smelter Retail Agreements consists of three types of energy referred to as (1) Base Monthly Energy, (2) Supplemental Energy and (3) Back-Up Energy. “Base Monthly Energy” is 368 MW per hour for Alcan and 482 MW per hour for Century. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Nature of Service.”

The obligation of Kenergy to supply electric service to the Smelters pursuant to the Smelter Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. A Smelter may terminate its Smelter Retail Agreement upon not less than one year’s prior written notice of such termination to Kenergy and us if such Smelter ceases all smelting operations in Kenergy’s service territory. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Termination Rights.”

Pricing under the Smelter Agreements is designed so that the Base Rate for the Smelters will always be 25 cents per MWh over the rate charged to large direct-served industrial customers having an equivalent load factor. The contracts provide that the Smelters are obligated to pay various surcharges, including fuel adjustment surcharges and environmental surcharges. In addition, the Smelter Agreements provide for annual adjustments to rates designed to assist us in achieving positive margins in each year. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Smelter Payment Obligations.”

For a more detailed summary of the provisions of the Smelter Agreements, see APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS.”

POWER SUPPLY PLANNING

Every other year we prepare load forecasts for the three Members. These individual forecasts serve as the basis for Big Rivers’ load forecast, which is filed with the RUS. The last forecast was prepared and filed in 2009. Additionally, every three years an Integrated Resource Plan (“IRP”) is prepared in accordance with Kentucky Administrative Rule 807 KAR 5:5058 and filed with the KPSC.

The next IRP will be filed with the KPSC in November 2010. Both of these studies examine a future time frame of 15 years.

GENERATION AND TRANSMISSION ASSETS

Generation Resources

General

The following table sets forth certain information about our owned generating facilities and Station Two.

<u>Generating Facility</u>	<u>Type of Fuel</u>	<u>Net Capacity⁽²⁾ (MW)</u>	<u>Big Rivers' Entitlement Share (MW)</u>	<u>Commercial Operation Date</u>
Kenneth C. Coleman Plant				
Unit 1	Coal	150	150	1969
Unit 2	Coal	138	138	1970
Unit 3	Coal	155	155	1972
Robert D. Green Plant				
Unit 1	Coal	231	231	1979
Unit 2	Coal	223	223	1981
Robert A. Reid Plant				
Unit 1	Coal	65	65	1966
Combustion Turbine	Oil-Natural Gas	65	65	1976
D.B. Wilson Plant Unit No. 1	Coal	417	417	1986
Station Two Facility Units No. 1 and No. 2 ⁽¹⁾	Coal	312	212	1973/1974
Total		<u>1,756</u>	<u>1,656</u>	

(1) We operate but do not own the two units at Station Two and not all net capacity of such facility is available to us.

(2) Net capacity means net nameplate as adjusted for parasitic load.

Kenneth C. Coleman Plant

The Coleman Plant is a three unit, coal-fired steam electric generating unit located near Hawesville, Kentucky. Each of the units has a turbine nameplate rating of 160 MW. Units No. 1 has a net capacity of 150 MW, No. 2 has a net nameplate capacity of 138 MW while Unit No. 3 has a net capacity of 155 MW. All three boilers are positive pressure, outdoor units; the turbine generators are semi-outdoor and the station was retrofitted with a FGD system in 2007. The equivalent availability factor for the Coleman Plant for 2009 was 94.9% (post-Unwind).

Environmental controls in place at the Coleman Plant include the use of precipitators (air pollution control devices that collect particles from gaseous emissions) which limit particulate emissions to a maximum of 0.27 pounds per million Btu, and the use of a FGD system which is 97% effective in reducing SO₂ emissions. Coleman Stations permitted SO₂ emissions limit is a maximum of 5.2 pounds per million Btu. NO_x emissions are limited to a maximum of 0.5 pounds per million Btu. This is achievable with the low NO_x burners.

Robert D. Green Plant

The Green Plant is a two unit, coal-fired steam electric generating station located on the same site as the Reid Plant and the Station Two Facility described below. Both boilers at the Green Plant are balanced draft units and they were designed and built with low NO_x burners. The Green Plant is also equipped with a FGD system. Unit No. 1 has a net nameplate capacity of 231 MW while Unit No. 2 has a

net capacity of 223 MW. The equivalent availability factor for the Green Plant for 2009 was 94.8% (post-Unwind).

Environmental controls in place at the Green Plant include the use of precipitators which limit particulate emissions to a maximum of 0.1 pounds per million Btu, and the use of a FGD system which limits SO₂ emissions to a maximum of 0.8 pounds per million Btu. NO_x emissions are limited to a maximum of 0.5 pounds per million Btu.

Robert A. Reid Plant

The Robert A. Reid Plant, located near Sebree, Kentucky, is a coal-fired steam electric generating unit with a net capacity of 65 MW and an oil- or natural gas-fired combustion turbine generating unit with a net capacity of 65 MW (the “Reid Plant”). The combustion turbine is used for power emergencies and for peaking purposes. The equivalent availability factor for the Reid Plant for 2009 was 84.7% (post-Unwind).

Environmental controls in place at the Reid Plant include the use of precipitators which limit particulate emissions to a maximum of 0.28 pounds per million Btu, and the use of medium-sulfur coal which limit SO₂ emissions to a maximum of 5.2 pounds per million Btu. NO_x emissions are limited to 0.46 pounds per million Btu.

D.B. Wilson Unit No. 1 Plant

The single unit Wilson Plant is the largest generating unit in our system. The Wilson Plant, located near Centertown, Kentucky on the Green River, is a coal-fired, balanced draft steam electric generating unit equipped with a FGD system. The unit has a net nameplate capacity of 417 MW. The equivalent availability factor for the Wilson Plant for 2009 was 60.7% (post-Unwind). The scheduled fall outage of approximately 60 days lowered the equivalent availability factor for 2009.

Environmental controls in place at the Wilson Plant include the use of a precipitator which limits particulate emissions to a maximum of 0.03 pounds per million Btu, and the use of a FGD system which is 90% effective in removing SO₂ emissions. NO_x emissions are limited to a maximum of 0.6 pounds per million Btu.

Other Power Supply Resources

Station Two Facility

The two units at Station Two have a total net nameplate capacity of 312 MW. Station Two is located on the same site as the Reid Plant and the Green Plant, near Henderson. Station Two consists of two positive pressure outdoor type boilers with scrubbers installed. The equivalent availability factor for Station Two for 2009 was 94.0% (post-Unwind).

In connection with the Unwind, in July 2009, we became responsible for the operation of Station Two in accordance with the terms of the Station Two Operation Agreement and for purchase of capacity and energy in accordance with the terms of the Station Two Power Sales Contract. (See “Station Two Power Sales Contract”). In connection with the Unwind, we and WKEC entered into an Indemnification Agreement (the “Station Two Indemnification Agreement”) under which WKEC has agreed to indemnify us against potential lost revenue if the contract provisions of the Station Two Power Sales Contract are interpreted against us (See “Station Two Power Sales Contract”).

Station Two Operation Agreement

We operate Station Two in accordance with the Station Two Operation Agreement. The Station Two Operation Agreement provides that we will provide, as an independent contractor, all operating personnel, materials, supplies and technical services for the operation of Station Two. It also provides for the allocation of certain costs of operation and maintenance between Station Two and our Reid Plant which shares some common facilities with Station Two. The Station Two Operation Agreement provides that we prepare an operating budget, including both capital and operating expenditures, for Station Two which is subject to the approval of the City of Henderson. Such budget then becomes the basis for monthly payments by the City of Henderson to us, with an annual reconciliation of such budgeted expenditures and the actual annual expenditures for Station Two. The Station Two Operation Agreement obligates us to maintain property and liability insurance with respect to Station Two and to operate and maintain Station Two in accordance with standards and specifications equal to those provided by the National Electric Safety Code of the United States Bureau of Standards and well as those required by any regulatory authority having jurisdiction. Each party's obligations under the Station Two Operation Agreement are subject to the occurrence of "uncontrollable force" (e.g., events not within control of either party and which by exercise of due diligence and foresight could not reasonably be avoided). The obligations of the City of Henderson under the Station Two Operation Agreement are payable solely from the revenues of the City's electric utility system and do not constitute a general obligation of the City of Henderson. The City of Henderson has covenanted in the Station Two Operation Agreement that it will, subject to any necessary regulatory body approvals, maintain rates for service by its electric system sufficient to pay the costs of ownership, proper operation and maintenance of Station Two. The rates for electric service charged by the City of Henderson are not subject to any regulatory body approval. The term of the Station Two Operation Agreement extends for the operating life of Station Two.

Station Two Power Sales Contract

We purchase a portion of the power and energy produced by Station Two in accordance with a Power Sales Contract between the City of Henderson and us (the "Station Two Power Sales Contract"). The Station Two Power Sales Contract provides for the allocation of the capacity of Station Two between the City of Henderson and us based upon the City's determination of its needs to serve its retail customers. The Station Two Power Sales Contract requires the City of Henderson to give us a rolling five years' advance notice of the allocation of capacity between the City of Henderson and us, but changes of up to 5 MW in the City's allocation are permitted on a yearly basis to serve new commercial or industrial customers of the City. The Station Two Power Sales Contract limits the ability of the City of Henderson to add commercial or industrial customers in excess of 30 MW each to its system if to do so would require the withdrawal of existing capacity from Station Two or any other generating facilities on the City's existing electrical system. The Station Two Power Sales Contract also permits the City of Henderson to utilize up to a total of 25 MW of capacity from capacity otherwise allocated to us from Station Two for "economic development loads" consisting of new customers on the City's system or certain expansions of capacity by an existing customer. Our right to take our reserved portion of the capacity of Station Two is subject to the City of Henderson's prior right to take its allocated capacity. Thus, in the event of an outage or curtailment of the output of Station Two, the City's right to the output has a priority. Each party is entitled to all the energy from Station Two associated with its reserved capacity, subject to our right to "Excess Henderson Energy" described below. The current capacity allocations of the City of Henderson and us are 32% and 68%, respectively.

We and the City of Henderson share capacity costs for Station Two in accordance with our respective allocated capacities. These capacity costs include the costs of operation, maintenance, administration and general expenses for Station Two as well as any amounts paid or payable to us under the terms of the Station Two Operation Agreement. We and the City of Henderson are each responsible

for providing our respective portions of the fuel consumed by Station Two based on our respective uses of electric energy from Station Two.

The obligations of each party are subject to “uncontrollable force”, having the same definition as in the Station Two Operation Agreement. However, our obligation to make payments for our allocated capacity of Station Two is not excused for any reason including the occurrence of “uncontrollable force”.

The Station Two Power Sales Agreement permits the City of Henderson to terminate that Agreement on 30 days’ notice for our failure to make any payment properly owing under the Station Two Power Sales Contract and, in such event, to make sales to others of power generated by Station Two and allocated to us on 5 days’ notice to us and to apply the proceeds of such sales to the capacity charges we owe.

In accordance with the Station Two Power Sales Contract, we and the City of Henderson have established separate operation and maintenance funds in the amounts of \$400,000 and \$100,000, respectively, to fund expenditures for operation and maintenance for Station Two, such expenditures to be made from such funds in proportion to the then effective allocation of Station Two capacity between us and the City of Henderson. In accordance with the Station Two Power Sales Contract, we have agreed to fund up to \$1.05 million to fund our portion of major renewals or replacements to the Station Two required on an emergency basis.

The term of the Station Two Power Sales Contract extends through the end of the economic operating life of Station Two.

Excess Henderson Energy

The Station Two Power Sales Contract also provides that, to the extent the City of Henderson does not take the full amount of energy associated with its reserved capacity from Station Two (such excess, “Excess Henderson Energy”), we may take and utilize all such energy for a price of \$1.50 per MWh plus the cost of all fuel, reagent and sludge disposal costs associated with such Excess Henderson Energy. Furthermore, the Station Two Power Sales Contract precludes the City of Henderson from offering Excess Henderson Energy to a third party without first offering us the opportunity to purchase in accordance with the preceding sentence. Representatives of the City of Henderson have alleged that the Station Two Power Sales Contract permits the City to schedule and take energy from its allocated capacity of Station Two for sales by it to third parties without offering such energy to us. (See “LITIGATION – Litigation with HMP&L under Station Two Power Sales Contract”).

SEPA Contract

In addition to our generation resources, we fulfill our power supply responsibilities to our Members with their allocations from SEPA. We normally use entitlement under the SEPA Contract for peaking. However, as a result of problems with certain dams on the Cumberland River hydro system, our capacity entitlement has been suspended and we currently are receiving only energy. Generally, we must schedule and accept 1,500 hours of the contracted 178 MW each fiscal year ending June 30. The maximum amount scheduled in any month shall not exceed 240 hours and the minimum amount scheduled in any month shall not be less than 60 hours. The fee arrangement for generation is a take-or-pay contract, currently we pay a fixed monthly charge in the amount of approximately \$280,937 and \$12.67 per MWh for energy. These charges will continue until the dam work is completed and the SEPA Contract is restored to full service. The SEPA contract cannot be terminated prior to June 30, 2017, albeit subject to congressional authority.

Transmission

We operate and maintain our transmission facilities and provide transmission services to our Members and Non-Members pursuant to our OATT. As of December 31, 2009, we had in service 827 miles of 69 kilovolt (“kV”) transmission lines, 14 miles of 138 kV transmission lines, 353 miles of 161 kV transmission lines, 68 miles of 345 kV transmission lines, and related station land and equipment. We also own 22 substations. We have completed three of the seven system improvements identified as phase two transmission projects. We have construction work orders in progress for two of the remaining four projects and will begin pursuit of the final two projects very soon. All phase two transmission projects are scheduled for completion on or before the end of the third quarter of 2011. Our available transfer capability for exporting power off system is approximately 912 MW prior to the completion of any phase two transmission improvements. The current firm transmission capability is sufficient to allow us to export all available excess generation capacity plus an amount equal to the peak demand of the larger Smelter on our system. With the completion of the phase two projects in 2011, our export capability will be increased to approximately 1380 MW, which will provide the capability to export all of the peak demand for both Smelters.

Contingency Reserve Obligation

We are currently in the process of joining and preparing to integrate our transmission system with Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”), which operates the centralized energy and ancillary services markets in the Midwestern region and administers open access transmission service over the transmission facilities owned by Midwest ISO members. We seek to join Midwest ISO principally to enable us to satisfy the “Contingency Reserve” standard of the NERC reliability standard. That standard is set by NERC, approved by FERC and enforced by the SERC Reliability Corporation, one of NERC’s regional entities with responsibility for enforcing the mandatory reliability standards. Our compliance with the NERC Contingency Reserve standard is both an operational necessity and a legal requirement. Under federal law, violations of NERC’s Contingency Reserve standard may result in substantial penalties, including potential fines up to \$1 million per day per violation. We anticipate that our integration with Midwest ISO will be complete by September 2010. We do not expect any material adverse effect on revenues from that integration.

We previously satisfied the NERC Contingency Reserve standard through membership in certain reserve sharing arrangements, most recently with the Midwest Contingency Reserve Sharing Group (“MCRSG”). The MCRSG arrangements expired December 31, 2009. Upon awareness that the MCRSG would terminate, we began to investigate ways to preserve the MCRSG or find alternate means to satisfy the NERC Contingency Reserve standard. At that time we were not operating our generating assets, but were negotiating and implementing a transaction to terminate or “unwind” a series of agreements entered into in 1998 with subsidiaries or affiliates of E.ON and thereby, regain control of our generating units. The Unwind was approved by the KPSC on March 6, 2009. See “BIG RIVERS ELECTRIC CORPORATION – Bankruptcy and Subsequent Operation,” “—Unwind of LG&E Arrangements and Termination of Leveraged Lease Transactions” and “—Summary of Major Provisions of Unwind.”

Following the closing of the Unwind, the options available to us to satisfy the NERC Contingency Reserve standard upon the termination of the MCRSG at year end narrowed as a result of legal impediments, cost constraints and a lack of sufficient implementation time. Without alternative feasible options available, on November 20, 2009, our Board of Directors approved joining the Midwest ISO to insure that we would be in compliance with the NERC Contingency Reserve standard on January 1, 2010. Pending full participation in the Midwest ISO, we will satisfy the NERC Contingency Reserve standard under Attachment RR of the Midwest ISO’s FERC-approved Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”).

SERC Investigation

We are currently the subject of a preliminary inquiry and non-public investigation initiated by SERC in February 2009. The staff from NERC and FERC are also participating in the investigation. Aside from one minor instance, which has been disclosed to SERC, we believe that we have been, and are, in compliance with all reliability standards and requirements. However, penalties for violations of reliability standards can be substantial. At this time the investigation is still in its preliminary stages and we cannot estimate the amount or range of potential liability, if any.

Approvals for Midwest ISO Membership

On February 1, 2010, we filed an application with the KPSC for authority to transfer functional control of our transmission system to Midwest ISO to be effective September 1, 2010. For this transfer to occur on schedule, all required consents and approvals must be obtained before August 1, 2010. In addition to the authority required from the KPSC to join Midwest ISO, we must also obtain the consent of two of our creditors: the United States of America acting through RUS and CoBank.

Our first full year of participation in Midwest ISO will be 2011. When the KPSC approves our joining Midwest ISO, that approval will allow all prudently incurred expenses to be recovered in rates. We may seek approval of new rates from the KPSC a few months earlier than previously planned once we receive KPSC's approval to join Midwest ISO.

Interconnections

We have several interconnections between our transmission system and those of other power suppliers. These interconnections permit mutual support in emergencies, decrease overall transmission losses, facilitate the arrangement of electric power and energy sales and minimize the duplication of transmission lines. We currently have interconnection agreements with seven power suppliers: HMP&L, Midwest ISO, Southern Illinois Power Cooperative, Hoosier Energy Rural Electric Cooperative, and Southern Indiana Gas and Electric Company – Vectren, E.ON U.S., Kentucky Utilities Company and Louisville Gas and Electric Company (“LG&E”), and TVA. However, we cannot purchase power from TVA due to restrictions on TVA's authority to sell power outside of its service area fixed by statute. An agreement with TVA provides transmission service by TVA to enable us to interchange power and energy with four utilities located in the southern United States.

In addition to interconnections with neighboring transmission systems, we also have received several requests from independent power producers that may determine to locate within our balancing area and interconnect new generators to the transmission system. We have developed certain interconnection procedures and guidelines which we use when generators request interconnection service without a concurrent request for transmission service. Upon our joining Midwest ISO, independent power producers may apply through Midwest ISO to connect to our transmission facilities. Upon receiving an application, Midwest ISO will work with us to study the impacts of such interconnection and to identify the cost of accommodating the interconnection. The allocation of costs will be determined under the MISO Tariff. Interconnections will be effectuated through a standard-form, three-way interconnection agreement among us, Midwest ISO and the independent power producer seeking use of our transmission service.

Open Access Transmission Tariff

We voluntarily agreed to comply with FERC Order No. 888 by filing the OATT with FERC. The OATT also has been filed with the KPSC, and the KPSC has determined to assert jurisdiction over it to

the extent FERC does not exert such jurisdiction. FERC Order No. 888 requires utilities regulated by FERC to offer third parties access to, and terms for the use of, their transmission systems on a basis comparable to the access and terms under which such transmission system owners provide transmission service to themselves. FERC Order No. 888 permits such utilities to deny transmission service to a utility which does not have a comparable open access transmission tariff. Although we are not subject to FERC Order No. 888, Big Rivers may require reciprocal access to other utilities' transmission systems in the future in order to meet future obligations to the Members or sell power off-system. To ensure such access, we prepared our OATT consistent with the form of OATT required of FERC-regulated utilities. See "RATE AND ENVIRONMENTAL REGULATIONS – Order No. 888 and Successor Orders" for a discussion of the background of, and proceedings relating to, FERC Order No. 888. We filed the OATT with FERC on May 29, 1998 and subsequently received a letter order from FERC dated September 18, 1998 finding that our OATT met the requirements for reciprocity. On April 22, 2009, we proposed updates to our OATT. FERC issued an order on September 17, 2009, directing certain changes to that proposal. We filed a revised updated OATT on December 16, 2009, and on January 6, 2010, FERC published notice of our proposed updated open access transmission tariff inviting public comments. No comments were filed during the comment period. FERC has not yet acted on the December 16 filing, and FERC is not subject to any deadline for acting on the filing.

Pursuant to the OATT, we will provide firm and non-firm transmission service and network services on our transmission system to parties desiring to purchase available transmission capacity on our transmission system. We will maintain the OASIS on which we post transmission capacity available between certain points of delivery and certain points of receipt on our system. Parties taking service under the OATT reserve transmission capacity on the OASIS on either a firm or non-firm basis for varying periods of time, with requests for longer periods of time taking precedence over those for shorter periods, and with firm service taking precedence over non-firm service. In operating the OASIS, we are subject to certain standards of conduct that prevent our employees in the transmission function from communicating with employees engaging in wholesale sales functions. As part of our OATT, we have implemented certain guidelines for interconnection by generators that seek to interconnect to our transmission system without a concurrent request for transmission services. These generator interconnection procedures are posted on our OASIS.

Upon the effective date of our joining the Midwest ISO, use of our transmission facilities will be governed by the MISO Tariff. We will provide the Midwest ISO with our revenue requirement for use in establishing the rate for transmission services under the MISO Tariff, but our revenue requirement will not be directly reviewed by FERC. As a Midwest ISO transmission owner, we also will participate in the Midwest ISO transmission planning process, and will be responsible for investments in transmission projects assigned to us in accordance with that process. It is impossible to predict what impact our participation in Midwest ISO will have on our operations. At present, we plan for our own transmission needs and participate in regional transmission planning with TVA. Participation in the Midwest ISO planning process will increase the scope of our regional planning process and will subject us to decisions by the Midwest ISO and, ultimately, FERC, concerning allocations of costs for meeting regional transmission needs. Finally, we will be subject to the Midwest ISO reserve requirements established pursuant to Module E of the MISO Tariff.

MANAGEMENT

We are governed by a Board of Directors comprised of six persons. Each Member has two directors on the Board of Directors. Each director is elected by a majority vote of the delegates at the annual membership meeting in September. Each Member designates one delegate to represent it at the annual membership meeting. At least one of the two directors from each Member must be, at the time of their election, a director of such Member. Each term is for a three year period, ending the later of

September 1 or the annual meeting date, and staggered such that two directors from different Members are elected each year.

The following are our principal management personnel with a brief summary of their qualifications:

Mark A. Bailey, President and Chief Executive Officer, received a Bachelor of Science in Electrical Engineering from Ohio Northern University in 1974, and a Master of Science in Management from the Massachusetts Institute of Technology in 1988. He was employed by American Electric Power Company (“AEP”) for nearly 30 years, beginning as an Electrical Engineer in 1974. Mr. Bailey was employed as Vice President of AEP subsidiary Indiana Michigan Power Company until AEP’s reorganization in 1996, when he became Director-Regions with American Electric Power Service Corporation (“AEPSC”), also a subsidiary of AEP. He was employed as Vice President of Transmission Asset Management for AEPSC from June 2000 until his employment as President and Chief Executive Officer (“CEO”) with Kenergy Corp. in 2004. Mr. Bailey was employed as Executive Vice President and Chief Operating Officer beginning in June 2007 until being elected by the Board of Directors to his current position in October 2008.

C. William Blackburn, Senior Vice President Financial & Energy Services and Chief Financial Officer, graduated from Murray State University with a Bachelor of Science in Business and Mathematics in 1972. Mr. Blackburn is a Certified Management Accountant. He has been employed with Big Rivers since 1977. He served in various accounting, finance, and power supply positions including Vice President of Financial Services and Interim Vice President of Power Supply from 1997 through November 2005, prior to assuming his current position in February 2009.

Robert W. Berry, Vice President of Production, graduated from the University of Kentucky Community College system with an Associate degree in Mechanical Engineering Technology and Mid-Continent University with a Bachelor of Science in Business Management. He was employed by Big Rivers from 1981 to 1998 and served in various maintenance positions such as Superintendent of Maintenance and Maintenance Manager. In 1998 he was employed by Western Kentucky Energy and served in various positions such as Maintenance Manager, Plant Manager and General Manager until the Unwind transaction closed in July 2009, at which time he assumed his current position.

David G. Crockett, Vice President of System Operations, graduated from the University of Kentucky with a Bachelor of Science in Electrical Engineering in 1972. He has been employed with Big Rivers since 1972. He served in various engineering positions before assuming the responsibility of Manager of Energy Control in 1998. Mr. Crockett assumed his current position as Vice President System Operations in 2006.

James V. Haner, Vice President of Administrative Services, graduated from the University of Kentucky with a Bachelor of Science in Accounting in 1970. He has been employed with Big Rivers since 1972. He served in various accounting and finance capacities prior to transferring to administrative services in 1991. He assumed duties as Manager Human Resources in 1998. Mr. Haner assumed his current position of Vice President Administrative Services in 2005.

Mark A. Hite, Vice President of Accounting, graduated from the University of Evansville with a Bachelor of Science in Accounting in 1980 and a Master of Business Administration in 1985. He is a licensed CPA. Mr. Hite has been employed with Big Rivers since 1983, and has served in various accounting and finance capacities prior to assuming his current position of Vice President of Accounting.

Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management, graduated from the University of Pittsburgh with a Bachelor of Science in Electrical Engineering in 1972, a Master of Science from Lehigh University in 1979, and a Juris Doctor from Capital University Law School in 1994. He is a registered Professional Engineer in Pennsylvania and a licensed attorney in Ohio. Mr. Yockey was employed in operation and planning positions with Pennsylvania Power and Light Co. from 1972 through 1985. He was employed in planning, regulatory, and compliance positions with American Electric Power Company from 1985 until February 2008. Mr. Yockey joined Big Rivers as Vice President of Enterprise Risk Management and Strategic Planning in 2008 and assumed his current position in July 2009.

The following are the Directors of Big Rivers with a brief summary of their qualifications:

William C. Denton, Chair of the Board, graduated from the University of Evansville with a Bachelor of Liberal Studies. He is the President of the Mortgage Network of America. Mr. Denton represents Kenergy and has served on our board since April 1995. His term expires September 2010 and he is subject to re-election.

James Sills, M.D., Vice Chair of the Board, graduated from Western Kentucky State University with a Bachelor of Chemistry and Biology and the University of Louisville Medical School. He is a retired family physician. Dr. Sills represents Meade County RECC and has served on our board since March 1995. His term expires September 2011 and he is subject to re-election.

Paul Edd Butler, Director, graduated from Breckinridge County High School and then attended Western Kentucky University and Spencerian College. For 31 years, Mr. Butler was a postmaster for the United States Postal Service, Harnd, Kentucky. He is now retired. Mr. Butler represents Meade County RECC and has served on our board since July 2002. His term expires September 2012 and he is subject to re-election.

Lee Bearden, Secretary Treasurer, graduated from Lone Oak High School and attended West Kentucky Community College. He is the Vice President of Community Financial Services Bank. Mr. Bearden represents Jackson Purchase and has served on our board since September 1998. His term expires September 2012 and he is subject to re-election.

Larry Elder, Director, graduated from Owensboro Catholic High School, attended two years of college at Brescia College and four years of apprenticeship training at Owensboro Technical School. He is the former President of Dynalectric of Kentucky and is now retired. Mr. Elder represents Kenergy and has served on our board since June 2006. His term expires September 2010 and he is subject to re-election.

Wayne Elliott, Director, graduated from Lone Oak High School and is currently taking college classes. He is a farmer. Mr. Elliott represents Jackson Purchase and has served on our board since September 2007. His term expires September 2010 and he is subject to re-election.

We have 598 full-time employees. The International Brotherhood of Electrical Workers, Local 1701, represents 348 of Big Rivers' generation and transmission operating employees. Our contracts with this union expire on September 14, 2012, and October 14, 2012, respectively. We believe that our relations with labor are good.

LITIGATION

Litigation Involving the County

No litigation is pending or, to our knowledge or to the knowledge of the County (with respect to litigation pertaining to it and the Bonds to be issued by it), threatened in any court, questioning our official existence, the official existence of the County, or the validity of the Bonds, or to restrain or enjoin the issuance or delivery of any of the Bonds or the power of the County to pledge revenues and assets to pay the Bonds.

Litigation with HMP&L under Station Two Power Sales Contract

The Station Two Power Sales Contract also provides that, to the extent the City of Henderson does not take the full amount of energy associated with its reserved capacity from Station Two for the residents of the City of Henderson (such excess, “Excess Henderson Energy”), we may take and utilize all such energy for a price of \$1.50 per MWh plus the cost of all fuel, reagent and sludge disposal costs associated with such Excess Henderson Energy. Furthermore, the Station Two Power Sales Contract precludes the City of Henderson from offering Excess Henderson Energy to a third party without first offering us the opportunity to purchase in accordance with the preceding sentence. Representatives of the City of Henderson have alleged that the Station Two Power Sales Contract permits the City to schedule and take energy from its allocated capacity of Station Two for sales by it to third parties without offering such energy to us at the \$1.50 MWh price. We disagree with this assertion. Pursuant to an indemnification agreement executed in connection with the Unwind (the “Station Two Indemnity Agreement”), WKEC has agreed to indemnify us, with certain limits, against economic harm to us through 2023 resulting from the City of Henderson’s interpretation of the Station Two Power Sales Contract being sustained by a court or other appropriate administrative or judicial tribunal. The obligations of WKEC under the Station Two Indemnification Agreement have been guaranteed by E.ON U.S. LLC. On July 31, 2009, we filed a petition in the Henderson Circuit Court of the Commonwealth of Kentucky, Civil Action No. 09-CI-00693, requesting an order pursuant to the Federal Arbitration Act, 9 U.S.C. § 2 and 4 and Kentucky Revised Statutes 417.060(1) referring the dispute over the Excess Henderson Energy to arbitration. In an Order entered December 17, 2009, the Henderson Circuit Court ruled that the question of our entitlement to Excess Henderson Energy was one for which we are entitled to compel arbitration in accordance with the Station Two Power Sales Contract. By order dated February 10, 2010, the Court denied the City of Henderson’s motion to alter, amend or vacate the Court’s December 18, 2009 order. The City appealed that order and on February 12, 2010, the Court entered another order finding that the Court had jurisdiction to enforce the arbitration process and that the arbitration should proceed despite the City’s appeal.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the aggregate principal amount set forth on the front cover of this Offering Statement, will be dated their date of delivery and will mature on July 15, 2031. We will pay interest on the Bonds at the annual rate of 6.00 percent (computed on the basis of a 360-day year of twelve 30-day months), from the date of delivery or from the most recent date to which interest has been paid or provided for, payable in arrears on January 15 and July 15 of each year, commencing January 15, 2011 (each such date is referred to herein as an “Interest Payment Date”). On each Interest Payment Date, interest will be paid to the person in whose name the Bonds are registered at the close of business on the fifteenth (15th) day prior to the applicable Interest Payment Date. If any Interest Payment Date falls on a day which is a legal holiday or a day on which banking institutions in the city in which is

located the principal office of the Trustee is authorized by law to remain closed, interest will be paid on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized to be closed, with interest accruing only to the originally scheduled Interest Payment Date.

The Bonds will be issued in the form of fully registered Bonds without coupons in minimum denominations of \$5,000 and integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), pursuant to DTC’s Book-Entry Only System. Principal of and interest on the Bonds will be payable, and the transfer of interests in the Bonds will be effected, through the facilities of DTC, as described under “BOOK-ENTRY-ONLY SYSTEM PROCEDURES” below. The Bonds may be transferred only upon the records of the Trustee, as Registrar, kept for that purpose at the principal corporate trust office of the Trustee. The Registrar will not be required to make any exchange or transfer of Bonds during the fifteen days (i) immediately preceding an Interest Payment Date or, (ii) in the case of any proposed redemption of Bonds, immediately preceding the date of the mailing of notice of such redemption. The Registrar will also not be required to make any transfer or exchange of any Bonds called for redemption.

U.S. Bank National Association is the Trustee, Paying Agent and Registrar for the Bonds.

Redemption of Bonds

Optional Redemption

The Bonds are subject to redemption in whole or in part (and if less than all of the Bonds are to be redeemed, by lot in such manner as shall be determined by the Trustee) prior to maturity at any time on or after July 15, 2020 by the County, upon the exercise by us of our option to prepay all or a part of the unpaid balance of the Note, at a redemption price of 100 percent of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption.

Notice of Redemption

Notice of redemption will be given by first-class mail by the Trustee at least thirty (30) days prior to the redemption date to each Holder of such Bonds which are to be redeemed, in whole or in part, at the addresses shown on the registration books of the County maintained by the Trustee, as Registrar. Failure to give notice of redemption by mail, or any defect in such notice, will not affect the validity of the proceedings for the redemption of such Bonds.

If at the time of mailing of notice of an optional redemption we have not deposited with the Trustee moneys sufficient to redeem all of the Bonds called for redemption, then the notice of optional redemption given by the Trustee will so state and will further state that the redemption of such Bonds is conditional upon our providing, or causing to be provided, to the Trustee, by 12:00 noon, New York City time on the redemption date, funds sufficient to effect such redemption, and such Bonds will not be redeemed unless such funds are deposited.

For so long as a book-entry only system is in effect with respect to the Bonds, the Trustee will mail notices of redemption only to The Depository Trust Company, New York, New York (“DTC”) or its successor. Any failure of DTC to convey such notice to any DTC participants, any failure of DTC participants to convey such notice to any Indirect Participants or any failure of DTC participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the validity of the redemption of Bonds. See “BOOK-ENTRY-ONLY SYSTEM PROCEDURES.”

BOOK-ENTRY-ONLY SYSTEM PROCEDURES

The Bonds will be available only in book entry form. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Bonds, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 110 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating of "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER TO RECEIVE NOTICES (INCLUDING NOTICES OF REDEMPTION) AND OTHER INFORMATION REGARDING THE BONDS THAT MAY BE SO CONVEYED TO DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Except as described below, neither DTC nor Cede & Co. will take any action to enforce covenants with respect to any security registered in the name of Cede & Co. Under its current procedures, on the written instructions of a Direct Participant, DTC will cause Cede & Co. to sign a demand to exercise bondholder rights as record holder of the quantity of securities specified in the Direct Participant's instructions, and not as record holder of all the securities of that issue registered in the name of Cede & Co. Also, in accordance with DTC's current procedures, all factual representations to be made by Cede & Co. to the County, the Trustee or any other party must be made to DTC and Cede & Co. by the Direct Participant in its instructions to DTC.

For so long as the Bonds are issued in book-entry form through the facilities of DTC, any Beneficial Owner desiring to cause us or the Trustee to comply with any of its obligations with respect to the Bonds must make arrangements with the Direct Participant or Indirect Participant through whom such Beneficial Owner's ownership interest in the Bonds is recorded in order for the Direct Participant in whose DTC account such ownership interest is recorded to make the instructions to DTC described above.

NEITHER WE NOR THE TRUSTEE NOR THE UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS A DIRECT PARTICIPANT OR AN INDIRECT PARTICIPANT) WILL HAVE ANY OBLIGATION TO THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF THE BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

Principal and interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from us or the Trustee, on payable date in accordance with their respective holdings shown

on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER US NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, INTEREST OR PURCHASE PRICE ON THE BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF THE BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references in this Offering Statement to the bondholders, holders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by us or the Trustee to DTC only.

As long as the book-entry system is used for the Bonds, we and the Trustee will give any notices required to be given to holders of the Bonds only to DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant, or of any Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the action premised on such notice.

NEITHER US NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE BONDS.

For every transfer and exchange of a beneficial ownership interest in the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge, that may be imposed in relation thereto.

Discontinuation of the Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Trustee. In addition, if the County determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) continuation of the system of book-entry-only transfers through DTC is not in the County's best interests or in the best interests of the Beneficial Owners of the Bonds, the County may thereupon terminate the services of DTC with respect to the Bonds. Upon the resignation of DTC or determination by the County that DTC is unable to discharge its responsibilities, the County may, within 90 days, appoint a successor depository. If no such successor is appointed or the County determines to discontinue the book-entry-only system, Bond certificates relating to such Bonds will be printed and delivered. Transfers and exchanges of the Bonds shall thereafter be made as described under the caption "DESCRIPTION OF THE BONDS – General."

If the book-entry-only system is discontinued with respect to any of the Bonds, the persons to whom Bond certificates relating to any such Bonds are delivered will be treated as "Holders" for all purposes of the Bond Indenture, including without limitation the payment of principal or redemption price of, and interest on, the Bonds, the redemption of Bonds and the giving to us or the Trustee of any notice, consent, request or demand pursuant to the Bond Indenture for any purpose whatsoever. In such event, principal or redemption price of and interest on, the Bonds will be payable as described under the caption "DESCRIPTION OF THE BONDS – General."

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that we believe to be reliable. No representation is made herein by us or the Underwriter as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date of this Offering Statement.

UNDERWRITING

Goldman, Sachs & Co. (the "Underwriter"), has agreed, subject to certain conditions (including the execution of a continuing disclosure agreements described below) to purchase the Bonds from the County. In consideration of such purchase, we have agreed to pay the Underwriter a fee of \$941,505.50. The Underwriter will be obligated to purchase all of the Bonds if any of such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. Goldman, Sachs & Co. and its affiliates have engaged and may engage in other transactions with and perform services for us from time to time in the ordinary course of business.

CONTINUING DISCLOSURE

To assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) under the Exchange Act, we have authorized the execution and delivery of a Continuing Disclosure Agreement with respect to the Bonds for the benefit of the beneficial owners of the Bonds (the "Continuing Disclosure Agreement"). Under the Continuing Disclosure Agreement, we will be obligated to provide certain financial information and operating data, financial statements, notice of certain events if material, and certain other notices to the Municipal Securities Rulemaking Board, or any other entity authorized or designated by the SEC in the future to receive such information, and such obligations will be enforceable, as described therein. The entry into the Continuing Disclosure Agreement by us is a condition precedent to the obligation of the Underwriter to purchase the Bonds. The proposed form of our Continuing Disclosure Agreement is attached hereto as APPENDIX H.

Our failure to observe or perform any of the obligations under the Continuing Disclosure Agreement will not be deemed an Event of Default under the Mortgage Indenture or the Bond Indenture. If we fail to comply with any provision of the Continuing Disclosure Agreement, any registered owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause us to comply with our obligations under the Continuing Disclosure Agreement. However, our Continuing Disclosure Agreement provides that no registered owner or beneficial owner of the Bonds will have the right to challenge the content or the adequacy of the information contained in any annual report or any notice of a material event by judicial proceedings unless the registered owners or beneficial owners representing at least 25% in aggregate principal amount of the Bonds then outstanding join in such proceedings.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the “1954 Code”) and Title XIII of the Tax Reform Act of 1986, except that Bond Counsel expresses no opinion as to the status of interest on any Bond for federal income tax purposes during any period that such Bond is held by a “substantial user” of facilities financed or refinanced with the proceeds of the Bonds or by a “related person” within the meaning of Section 103(b)(13) of the 1954 Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in federal corporate alternative minimum taxable income. Interest on the Bonds is exempt from all present Kentucky personal and corporate income taxes. A complete copy of the proposed opinion of Bond Counsel is set forth as APPENDIX F hereto.

Title XIII of the Tax Reform Act of 1986 and Section 103 of the 1954 Code impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. We and the County have made representations related to certain of these requirements and have covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from all present Kentucky personal and corporate income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the tax liability of the holder of the Bonds. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder of the Bonds or its other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the 1954 Code or the 1986 Act, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or

enactment of any such future legislative proposals, clarification of the 1954 Code or the 1986 Act or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County or Big Rivers, or about the effect of future changes in the 1954 Code, the 1986 Act, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. We and the County have covenanted and agreed for the benefit of Beneficial Owners of the Bonds, however, not directly or indirectly to use or permit the use (to the extent within its control) of proceeds of the Bonds or other funds, or take or omit to take any action, if and to the extent such use, or the taking or omission to take such action, would cause interest on the Bonds to be subject to federal income tax by reason of Section 103 of the 1954 Code or Title XIII of the 1986 Act, and any applicable regulations promulgated thereunder.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the County, Big Rivers and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax exempt bonds is difficult, obtaining an independent review of IRS positions with which the County or Big Rivers legitimately disagree may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause us, the County or the Beneficial Owners to incur significant expense.

RATINGS

The Bonds are rated "Baa1", "BBB-" and "BBB-" by Moody's, S&P and Fitch, respectively. The respective ratings by Fitch, Moody's and S&P of the Bonds reflect only the views of such organization and any desired explanation of the significance of such ratings and any outlooks or other statements given by the rating agencies with respect thereto should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating and outlook (if any) on the information and materials furnished to it on investigations, studies and assumptions of its own. There is no assurance such ratings for the Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdraw entirely by any of the rating agencies, if, in the judgment of such rating agency or agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

AVAILABLE INFORMATION

Brief descriptions of the County, the Bonds, the Financing Agreement, the Bond Indenture, the Note and the Mortgage Indenture and information about us, including our financial statements, are included in this Offering Statement. Such descriptions do not purport to be comprehensive or definitive.

All references herein to the Financing Agreement, the Bond Indenture, the Note and the Mortgage Indenture are qualified in their entirety by reference to such documents, copies of which are on file at our principal office or the principal office of the Trustee, and are available upon request. References herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Bond Indenture and the information with respect thereto included in the aforementioned documents.

Any statements made in this Offering Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

APPROVAL OF LEGAL PROCEEDINGS

All of the legal proceedings in connection with the authorization and issuance of the Bonds and their validity are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX G hereto. Certain legal matters are subject to the approval of Sutherland Asbill & Brennan LLP, Counsel to the Underwriter. Certain legal matters will be passed upon for us by Sullivan, Mountjoy, Stainback & Miller, P.S.C., Owensboro, Kentucky, its General Counsel. Certain legal matters will be passed upon for the County by Greg Hill, Esq., Counsel to the County.

INDEPENDENT AUDITORS

Our financial statements as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009, included in APPENDIX A to this Offering Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

YEAR END FINANCIAL STATEMENTS

Deloitte.

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

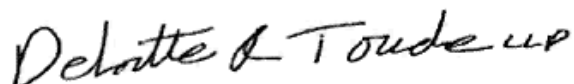
To the Board of Directors of
Big Rivers Electric Corporation:

We have audited the accompanying balance sheets of Big Rivers Electric Corporation (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, equities (deficit), and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Rivers Electric Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2010, on our consideration of Big Rivers Electric Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



March 26, 2010

Member of
Deloitte Touche Tohmatsu

Balance Sheets

As of December 31, 2009 and 2008 — (Dollars in thousands)

Assets

	2009	2008
UTILITY PLANT – Net	<u>\$ 1,078,274</u>	<u>\$ 912,699</u>
RESTRICTED INVESTMENTS – Member rate mitigation	<u>243,225</u>	<u>–</u>
OTHER DEPOSITS AND INVESTMENTS – At cost	<u>5,342</u>	<u>4,093</u>
CURRENT ASSETS:		
Cash and cash equivalents	60,290	38,903
Accounts receivable	47,493	20,464
Fuel inventory	37,830	–
Non-fuel inventory	20,412	756
Prepaid expenses	<u>3,233</u>	<u>450</u>
Total current assets	<u>169,258</u>	<u>60,573</u>
DEFERRED LOSS FROM TERMINATION OF SALE-LEASEBACK	<u>–</u>	<u>76,001</u>
DEFERRED CHARGES AND OTHER	<u>9,384</u>	<u>20,470</u>
TOTAL	<u><u>\$ 1,505,483</u></u>	<u><u>\$ 1,074,436</u></u>

Equities (Deficit) and Liabilities

CAPITALIZATION:		
Equities (deficit)	\$ 379,392	\$ (154,602)
Long-term debt	<u>834,367</u>	<u>987,349</u>
Total capitalization	<u>1,213,759</u>	<u>832,747</u>
CURRENT LIABILITIES:		
Current maturities of long-term obligations	14,185	51,771
Purchased power payable	3,362	9,336
Accounts payable	30,657	5,832
Accrued expenses	9,864	3,134
Accrued interest	<u>9,097</u>	<u>8,018</u>
Total current liabilities	<u>67,165</u>	<u>78,091</u>
DEFERRED CREDITS AND OTHER:		
Deferred lease revenue	–	10,955
Residual value payments obligation	–	145,145
Regulatory liabilities – Member rate mitigation	207,348	–
Other	<u>17,211</u>	<u>7,498</u>
Total deferred credits and other	<u>224,559</u>	<u>163,598</u>
COMMITMENTS AND CONTINGENCIES (see note 14)		
TOTAL	<u><u>\$ 1,505,483</u></u>	<u><u>\$ 1,074,436</u></u>

See notes to financial statements.

Statements of Operations

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

	2009	2008	2007
POWER CONTRACTS REVENUE	\$ 341,333	\$ 214,758	\$ 271,605
LEASE REVENUE	<u>32,027</u>	<u>58,423</u>	<u>58,265</u>
Total operating revenue	<u>373,360</u>	<u>273,181</u>	<u>329,870</u>
OPERATING EXPENSES:			
Operations:			
Fuel for electric generation	80,655	-	-
Power purchased and interchanged	116,883	114,643	169,768
Production, excluding fuel	22,381	-	-
Transmission and other	35,444	28,600	27,196
Maintenance	29,820	4,258	4,240
Depreciation and amortization	<u>32,485</u>	<u>31,041</u>	<u>30,632</u>
Total operating expenses	<u>317,668</u>	<u>178,542</u>	<u>231,836</u>
ELECTRIC OPERATING MARGIN	55,692	94,639	98,034
INTEREST EXPENSE AND OTHER:			
Interest	59,898	65,719	60,932
Interest on obligations related to long-term lease	-	6,991	9,919
Amortization of loss from termination of long-term lease	2,172	811	-
Income tax expense	1,025	5,934	-
Other – net	<u>112</u>	<u>123</u>	<u>103</u>
Total interest expense and other	<u>63,207</u>	<u>79,578</u>	<u>70,954</u>
OPERATING MARGIN	(7,515)	15,061	27,080
NON-OPERATING MARGIN:			
Interest income on restricted investments under long-term lease	-	8,742	12,481
Gain on Unwind transaction (see Note 2)	537,978	-	-
Interest income and other	<u>867</u>	<u>4,013</u>	<u>7,616</u>
Total non-operating margin	<u>538,845</u>	<u>12,755</u>	<u>20,097</u>
NET MARGIN	<u><u>\$ 531,330</u></u>	<u><u>\$ 27,816</u></u>	<u><u>\$ 47,177</u></u>

See notes to financial statements.

Statements of Equities (Deficit)

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

	Total Equities (Deficit)	Accumulated Margin (Deficit)	Other Equities Donated Capital and Memberships	Consumers' Contributions to Debt Service	Accumulated Other Comprehensive Income
BALANCE – December 31, 2006	\$ (217,371)	\$ (221,816)	\$ 764	\$ 3,681	\$ –
Net margin/ total comprehensive income	47,177	47,177	–	–	–
FAS 158 adoption	<u>(3,943)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,943)</u>
BALANCE – December 31, 2007	(174,137)	(174,639)	764	3,681	(3,943)
Comprehensive income:					
Net margin	27,816	27,816	–	–	–
FAS 158 funded status adjustment	<u>(8,281)</u>				<u>(8,281)</u>
Total comprehensive income	<u>19,535</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BALANCE – December 31, 2008	(154,602)	(146,823)	764	3,681	(12,224)
Comprehensive income:					
Net margin	531,330	531,330	–	–	–
FAS 158 funded status adjustment	<u>2,664</u>				<u>2,664</u>
Total comprehensive income	<u>533,994</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BALANCE – December 31, 2009	<u>\$ 379,392</u>	<u>\$ 384,507</u>	<u>\$ 764</u>	<u>\$ 3,681</u>	<u>\$ (9,560)</u>

See notes to financial statements.

Statements of Cash Flows

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net margin	\$ 531,330	\$ 27,816	\$ 47,177
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	37,084	34,320	33,866
Increase in restricted investments under long-term lease	—	(2,502)	(6,242)
Decrease in deferred AMT Income Taxes	—	5,035	—
Amortization of deferred loss (gain) on sale-leaseback – net	2,172	(1,187)	(2,900)
Deferred lease revenue	(3,768)	(4,582)	(1,779)
Residual value payments obligation gain	(3,881)	(6,748)	(6,591)
Increase in RUS Series B Note	6,136	5,841	5,572
Increase in RUS Series A Note	—	—	15,761
Increase in obligations under long-term lease	—	2,749	6,580
Noncash gain on Unwind transaction	(269,441)	—	—
Cash received for Member Rate Mitigation	217,856	—	—
Noncash Member Rate Mitigation revenue	(12,033)	—	—
Changes in certain assets and liabilities:			
Accounts receivable	(26,049)	6,218	(8,934)
Inventories	(3,497)	12	43
Prepaid expenses	(2,783)	(319)	3,477
Deferred charges	(1,538)	1,871	(2,429)
Purchased power payable	(5,973)	(3,702)	3,818
Accounts payable	24,825	899	1,566
Accrued expenses	7,881	327	1,033
Other – net	6,852	(4,940)	(5,465)
Net cash provided by operating activities	<u>505,173</u>	<u>61,108</u>	<u>84,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(58,388)	(22,760)	(18,682)
Proceeds from disposition of investments related to sale-leaseback	—	222,739	—
Proceeds from restricted investments	8,982	—	—
Purchases of restricted investments and other deposits & investments	(252,798)	(401)	(424)
Net cash provided by (used in) investing activities	<u>(302,204)</u>	<u>199,578</u>	<u>(19,106)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term obligations	(168,956)	(40,838)	(12,676)
Principal payments on short-term notes payable	(12,380)	—	—
Payments upon termination of sale-leaseback	—	(329,859)	—
Debt issuance cost on bond refunding	(246)	—	—
Net cash used in financing activities	<u>(181,582)</u>	<u>(370,697)</u>	<u>(12,676)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,387	(110,011)	52,771
CASH AND CASH EQUIVALENTS—Beginning of year	38,903	148,914	96,143
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 60,290</u>	<u>\$ 38,903</u>	<u>\$ 148,914</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	<u>\$ 51,078</u>	<u>\$ 74,819</u>	<u>\$ 45,600</u>
Cash paid for income taxes	<u>\$ 626</u>	<u>\$ 1,220</u>	<u>\$ 420</u>

See notes to financial statements.

Notes to Financial Statements

As of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009 — (Dollars in thousands)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information — Big Rivers Electric Corporation (“Big Rivers” or the “Company”), an electric generation and transmission cooperative, supplies wholesale power to its three member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative Corporation) under all requirements contracts, excluding the power needs of two large aluminum smelters (the “Aluminum Smelters”). Additionally, Big Rivers sells power under separate contracts to Kenergy Corp. for the Aluminum Smelters load and markets power to nonmember utilities and power marketers. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale power contracts with the members remain in effect until December 31, 2043. Rates to Big Rivers’ members are established by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS). The financial statements of Big Rivers include the provisions of FASB ASC 980, *Certain Types of Regulation*, which was adopted by the Company in 2003, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

In 1999, Big Rivers Leasing Corporation (BRLC) was formed as a wholly owned subsidiary of Big Rivers. BRLC’s principal assets were the restricted investments acquired in connection with the 2000 sale-leaseback transaction discussed in Note 4. The sale-leaseback transaction was terminated on September 30, 2008 and BRLC was dissolved on July 16, 2009, in conjunction with the Unwind Transaction.

Principles of Consolidation — The financial statements of Big Rivers include the accounts of Big Rivers and its wholly owned subsidiary, BRLC. All significant intercompany transactions have been eliminated.

Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

System of Accounts — Big Rivers’ maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority and periodically issue orders on various accounting and ratemaking matters. Adjustments to RUS accounting have been made to make the financial statements consistent with generally accepted accounting principles in the United States of America.

Revenue Recognition — Revenues generated from the Company’s wholesale power contracts are based on month-end meter readings and are recognized as earned. Prior to its termination, in accordance with FASB ASC 840, *Leases*, Big Rivers’ revenue from the Lease Agreement was recognized on a straight-line basis over the term of the lease. The major components of this lease revenue include the annual lease payments and the Monthly Margin Payments (described in Note 2).

Utility Plant and Depreciation — Utility plant is recorded at original cost, which includes the cost of contracted services, materials, labor, overhead, and an allowance for borrowed funds used during construction. Replacements of depreciable property units, except minor replacements, are charged to utility plant.

Allowance for borrowed funds used during construction is included on projects with an estimated total cost of \$250 or more before consideration of such allowance. The interest capitalized is determined by applying the effective rate of Big Rivers’ weighted-average debt to the accumulated expenditures for qualifying projects included in construction in progress.

Prior to July 17, 2009, the Effective Date of the Unwind Transaction (see Note 2), and in accordance with the terms of the Lease Agreement, the Company generally recorded capital additions for Incremental Capital Costs and Nonincremental Capital Costs expenditures funded by E.ON U.S. (formerly LG&E Energy Corporation) as utility plant to which the Company maintained title. A corresponding obligation to E.ON U.S. was recorded for the estimated portion of these additions attributable to the Residual Value Payments (see Note 2). A portion of this obligation was amortized to lease revenue over the useful life of those assets during the remaining lease term. For the years ended December 31, 2009 and 2008, the Company recorded \$5,557 and \$10,728, respectively, for such additions in utility plant. The Company recorded \$3,881, \$6,748, and \$6,591 in 2009, 2008, and 2007, respectively, as related lease revenue in the accompanying financial statements. All amounts recorded for 2009 reflect the period prior to the Effective Date of the Unwind Transaction. Under the terms of the Unwind Transaction, E.ON U.S. waived their right to the Residual Value Payment, and the Company recognized a gain.

In accordance with the Lease Agreement, and in addition to the capital costs funded by E.ON U.S. (see Note 2) that were recorded by the Company as utility plant and lease revenue, E.ON U.S. also incurred certain Nonincremental Capital Costs and Major Capital Improvements (as defined in the Lease Agreement) for which they waived rights to a Residual Value Payment by Big Rivers upon lease termination. Such amounts were not recorded as utility plant or lease revenue by the Company during the lease. In connection with the Unwind Transaction the Company recognized a gain of \$19,679 for the Nonincremental Capital assets for which E.ON had waived rights to.

E.ON U.S. constructed a scrubber (Major Capital Improvement) at Big Rivers' Coleman plant. The scrubber achieved commercial acceptance in January 2007. The Company acquired the Coleman scrubber at no cost under the terms of the Unwind Transaction, recognizing a gain of \$98,500 in 2009.

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS and KPSC. The annual composite depreciation rates used to compute depreciation expense were as follows:

Electric plant-leased	1.60%–2.47%
Transmission plant	1.76%–3.24%
General plant	1.11%–5.62%

For 2009, 2008, and 2007, the average composite depreciation rates were 1.85%, 1.85%, and 1.85%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

Impairment Review of Long-Lived Assets — Long-lived assets are reviewed as facts and circumstances indicate that the carrying amount may be impaired. This review is performed in accordance with FASB ASC 360, *Property, Plant, and Equipment* as it relates to impairment of long-lived assets. FASB ASC 360 establishes one accounting model for all impaired long-lived assets and long-lived assets to be disposed of by sale or otherwise. FASB ASC 360 requires the evaluation of impairment by comparing an asset's carrying value to the estimated future cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the carrying value of the asset is impaired, an impairment charge would be recorded based on the difference between the asset's carrying amount and its fair value (less costs to sell for assets to be disposed of by sale) as a charge to operations or discontinued operations.

Restricted Investments — Investments are restricted under KPSC order to establish certain reserve funds for member rate mitigation in conjunction with the Unwind Transaction. These investments have been classified as held-to-maturity and are carried at amortized cost (see Note 10).

Cash and Cash Equivalents — Big Rivers considers all short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents.

Income Taxes — As a taxable cooperative, Big Rivers is entitled to exclude the amount of patronage allocations to members from taxable income. Income and expenses related to nonmember operations are taxable to Big Rivers. Big Rivers files a Federal income tax return and a Kentucky income tax return.

Patronage Capital — As provided in the bylaws, Big Rivers accounts for each year's patronage-sourced income, both operating and nonoperating, on a patronage basis. Notwithstanding any other provision of the bylaws, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patronage-sourced income or alternative minimum taxable patronage-sourced income.

Derivatives — Management has reviewed the requirements of FASB ASC 815, *Derivatives and Hedging*, and has determined that all contracts meeting the definition of a derivative also qualify for the normal purchases and sales exception under FASB ASC 815. The Company has elected the Normal Purchase and Normal Sale exception for these contracts and, therefore, the contracts are not required to be recognized at fair value in the financial statements.

Fair value measurements — The Fair Value Measurements and Disclosures Topic of the FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous, market for the asset or liability in an orderly transaction between market participants at the measurement date. The Fair Values Measurements Topic establishes a three-Level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs when possible. The three levels of inputs used to measure fair value are as follows:

- Level 1 — quoted prices in active markets for identical assets or liabilities
- Level 2 — observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3 — unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

New Accounting Pronouncements — FASB ASC 815, *Derivatives and Hedging*, issued in March 2008, establishes enhanced disclosure requirements concerning derivative instruments and hedging activities. This enhanced disclosure standard requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation in order to better convey the purpose of derivative use in terms of the risks that the entity is intending to manage. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB ASC 815 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard of FASB ASC 815 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company adopted this standard of FASB ASC 815 on January 1, 2009, with no impact to the Company's financial statements.

FASB ASC 855, *Subsequent Events*, establishes a standard for disclosure of events that occur during the period between the balance sheet date and the date on which the financial statements are issued. This standard of FASB ASC 855 is effective for interim or annual financial periods ending after June 15, 2009. The Company has adopted the disclosure requirements for subsequent events as outlined in ASC 855 and management evaluated subsequent events up to and including March 26, 2010, the date the financial statements were available to be issued.

FASB ASC 105, *Generally Accepted Accounting Principles*, provides a Codification of accounting standards that supersedes all previously existing non-SEC accounting and reporting standards and becomes the authoritative source of U.S. generally accepted accounting principles (GAAP). This standard of FASB ASC 105 is effective for annual financial statements issued after September 15, 2009. The Company has adopted the Accounting Standard Codification (ASC) established by FASB ASC 105.

2. LG&E LEASE AGREEMENT

Big Rivers, E.ON U.S. LLC ("E.ON"), Western Kentucky Energy Corporation ("WKEC"), and LG&E Energy Marketing ("LEM"), closed effective July 17, 2009, a transaction resulting in a mutually acceptable early termination of the 1998 LG&E Lease Agreement (referred herein as the "Unwind Transaction" or "Unwind"). E.ON, WKEC, and LEM are collectively referred to in the Notes as "E.ON Entities." This transaction was approved by the KPSC and the RUS. The Unwind Transaction resulted in Big Rivers recognizing a net gain of \$537,978. This transaction resulted in the acquisition of assets, the assumption of liabilities, the forgiveness of liabilities, and the establishment of a regulatory reserve prescribed by the KPSC in their approval of the transaction. Assets and liabilities in the unwind transaction were accounted for at fair value or recorded value, as appropriate. The gain from the Unwind Transaction is summarized as follows:

	Unwind Gain
Assets received:	
Cash	\$506,675
Coleman scrubber	98,500
Inventory	55,000
Construction in progress	23,074
Utility plant assets	19,679
SO2 allowances	980
Liabilities (assumed) forgiven:	
Economic Reserve	(157,000)
Rural Economic Reserve	(60,856)
Post-retirement benefits liability	(8,768)
Residual value payments obligation	145,251
LEM Settlement Note	15,440
Recognition of (expenses) income:	
Deferred lease income	7,187
Deferred loss from termination of sale/leaseback	(73,829)
Deferred loss from LEM Marketing Payment/Settlement Note	(14,520)
Unwind transaction costs	(18,991)
Other	156
Gain on unwind transaction	<u>\$537,978</u>

The terms of the LG&E Lease Agreement as originally structured are outlined in the following text.

On July 15, 1998 ("Effective Date"), a lease was consummated ("Lease Agreement"), whereby Big Rivers leased its generating facilities to Western Kentucky Energy Corporation (WKEC), a wholly owned subsidiary of E.ON U.S. Pursuant to the Lease Agreement, WKEC operated the generating facilities and maintained title to all energy produced. Throughout the lease term, in order for Big Rivers to fulfill its obligation to supply power to its members, the Company purchased substantially all of its power requirements from LG&E Energy Marketing Corporation (LEM), a wholly owned subsidiary of E.ON U.S., pursuant to a power purchase agreement.

Big Rivers continued to operate its transmission facilities and charged LEM tariff rates for delivery of the energy produced by WKEC and consumed by LEM's customers. The significant terms of the Lease Agreement were as follows:

- a. WKEC was to lease and operate Big Rivers' generation facilities through 2023.
- b. Big Rivers retained ownership of the generation facilities both during and at the end of the lease term.
- c. WKEC paid Big Rivers an annual lease payment of \$30,965 over the lease term, subject to certain adjustments.
- d. On the Effective Date, Big Rivers received \$69,100 representing certain closing payments and the first two years of the annual lease payments. In accordance with FASB ASC 840, *Leases*, the Company amortized these payments to revenue on a straight-line basis over the life of the lease.
- e. Big Rivers continued to provide power for its members, excluding the member loads serving the Aluminum Smelters, through its power purchase agreements with LEM and the Southeastern Power Administration, based on a pre-determined maximum capacity. When economically feasible, the Company also obtained the power necessary to supply its member loads, excluding the Aluminum Smelters, in the open market. Kenergy Corp.'s retail service for the Aluminum Smelters was served by LEM and other third-party providers that included Big Rivers. To the extent the power purchased from LEM did not reach pre-determined minimums, the Company was required to pay certain penalties. Also, to the extent additional power was available to Big Rivers under the LEM contract, Big Rivers made sales to nonmembers.
- f. LEM reimbursed Big Rivers the margins expected from the Aluminum Smelters, defined as the net cash flows that Big Rivers anticipated receiving if the Company had continued to serve the Aluminum Smelters' load, as filed in the Rate Hearing (the "Monthly Margin Payments").
- g. WKEC was responsible for the operating costs of the generation facilities; however, Big Rivers was partially responsible for ordinary capital expenditures ("Nonincremental Capital Costs") for the generation facilities over the term of the Lease Agreement, generally up to predetermined annual amounts. At the end of the lease term, Big Rivers was obligated to fund a "Residual Value Payment" to E.ON U.S. for such capital additions during the lease (see Note 1). Adjustments to the Residual Value Payment were made based upon actual capital expenditures. Additionally, WKEC made required capital improvements to the facilities to comply with new laws or a changes to existing laws ("Incremental Capital Costs") over the lease life (the Company was partially responsible for such costs: 20% through 2010) and the Company was required to submit another Residual Value Payment to E.ON U.S. for the undepreciated value of WKEC's 80% share of these costs, at the end of the lease. The Company had title to these assets during the lease and upon lease termination.
- h. Big Rivers entered into a note payable with LEM for \$19,676 (the "LEM Settlement Note") to be repaid over the term of the Lease Agreement, with an interest rate at 8% per annum, in consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements. The Company recorded this obligation as a component of deferred charges with the related payable recorded as long-term debt in the accompanying balance sheets. This deferred charge was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.
- i. On the Effective Date, Big Rivers paid a nonrefundable marketing payment of \$5,933 to LEM, which was recorded as a component of deferred charges. This amount was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.
- j. During the lease term, Big Rivers was entitled to certain "billing credits" against amounts the Company owed LEM under the power purchase agreement. Each month during the first 55 months of the lease term, Big Rivers received a credit of \$89. For the year 2011, Big Rivers was to receive a credit of \$2,611 and for the years 2012 through 2023, the Company was to receive a credit of \$4,111 annually.

In accordance with the power purchase agreement with LEM, the Company was allowed to purchase power in the open market rather than from LEM, incurring penalties when the power purchased from LEM did not meet certain minimum levels, and to sell excess power (power not needed to supply its jurisdictional load) in the open market (collectively referred to as "Arbitrage"). Pursuant to the New RUS Promissory Note and the RUS ARVP Note, the benefit, net of tax, as defined, derived from Arbitrage had to be divided as follows: one-third, adjusted for capital expenditures, was used to make principal payments on the New RUS Promissory Note; one-third was used to make principal payments on the RUS ARVP Note; and the remaining value was retained by the Company.

3. UTILITY PLANT

At December 31, 2009 and 2008, utility plant is summarized as follows:

	2009	2008
Classified plant in service:		
Production plant	\$1,675,733	\$ -
Electric plant — leased	-	1,535,004
Transmission plant	236,639	230,800
General plant	18,201	17,240
Other	543	543
	<hr/> 1,931,116	<hr/> 1,783,587
Less accumulated depreciation	908,099	879,073
	<hr/> 1,023,017	<hr/> 904,514
Construction in progress	55,257	8,185
Utility plant — net	<u>\$1,078,274</u>	<u>\$912,699</u>

Interest capitalized for the years ended December 31, 2009, 2008, and 2007, was \$133, \$492, and \$391, respectively.

The Company has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of December 31, 2009 and 2008, the Company had a regulatory liability of approximately \$35,835 and \$32,696, respectively, related to nonlegal removal costs included in accumulated depreciation.

4. SALE-LEASEBACK

On April 18, 2000, the Company completed a sale-leaseback of two of its utility plants, including the related facilities and equipment. The sale-leaseback provided Big Rivers a \$1,089,000 fixed price purchase option, at the end of each lease term (25 and 27 years), which, together with future contractual interest receipts, would be fully funded.

On September 30, 2008, the Company completed an early termination of the sale-leaseback transaction. The termination was precipitated by the June 2008 downgrade of the claims-paying ability of Ambac Assurance Corporation (Ambac). Ambac served as insurer of Big Rivers' payment obligations, thereby providing credit support under the transaction. Ambac's downgrade exposed the Company to adverse consequences under the contractual terms of the transaction and after consideration of alternative options, Big Rivers ultimately settled on termination as the preferred solution. Proceeds from disposition of the restricted investment and payments required under the termination agreements were \$222,739 and \$329,559, respectively, reflecting a net cash payment of \$107,120. To

meet its remaining obligations Big Rivers' entered into a \$12,380 promissory note (see Note 5) with Philip Morris Capital Corporation (PMCC). A net loss of \$77,001 resulting from the early termination of the sale-leaseback was recorded as a regulatory asset and was amortized up to the Effective Date of the Unwind Transaction; with the balance of the regulatory asset reflected as an offset to the gain recognized from the Unwind Transaction.

Prior to termination the sale-leaseback transaction was recorded as a financing for financial reporting purposes and a sale for Federal income tax purposes. In connection therewith, in 2000, Big Rivers received \$866,676 of proceeds and incurred \$791,626 of related obligations. Pursuant to a payment undertaking agreement with a financial institution, Big Rivers effectively extinguished \$656,029 of these obligations with an equivalent portion of the proceeds. The Company also purchased investments with an initial value of \$146,647 to fund the remaining \$135,597 of the obligations. Interest received and paid was recorded to these accounts up to the date of lease termination. The Company paid 7.57% interest on its obligations related to long-term lease and received 6.89% on its related investments. The Company made a \$64,000 principal payment on the New RUS Promissory Note with the remaining proceeds. The \$75,050 gain was deferred and was amortized up to the date of lease termination, with the Company recognizing \$1,998, and \$2,900, in 2008, and 2007, respectively.

The Amount recognized in the statement of financial position related to the sale-leaseback as of December 31, 2008, is as follows:

Deferred loss from termination of sale-leaseback	<u>\$76,001</u>
--	-----------------

The unamortized balance of the deferred loss was recognized in 2009 in conjunction with the unwind transaction described in Note 2 based on agreement with the KPSC.

Amounts recognized in the statement of operations related to the sale-leaseback for the years ended December 31, 2008, and 2007, are as follows:

	2008	2007
Power contracts revenue (revenue discount adjustment — see Note 6)	<u>\$(2,453)</u>	<u>\$(3,680)</u>
Interest on obligations related to long-term lease:		
Interest expense	8,989	12,819
Amortize gain on sale-leaseback	<u>(1,998)</u>	<u>(2,900)</u>
Net interest on obligations related to long-term lease	<u>\$6,991</u>	<u>\$9,919</u>
Interest income on restricted investments under long-term lease	<u>\$8,742</u>	<u>\$12,481</u>
Interest income and other	<u>\$779</u>	<u>\$778</u>

5. DEBT AND OTHER LONG-TERM OBLIGATIONS

A detail of long-term debt at December 31, 2009 and 2008, is as follows:

	2009	2008
RUS Series A Promissory Note, stated amount of, \$599,462, stated interest rate of 5.75%, with an interest rate of 5.84%, maturing July 2021	\$596,786	\$ -
New RUS Promissory Note, stated amount of, \$768,391, stated interest rate of 5.75%, with an interest rate of 5.82%, maturing July 2021	-	765,297
RUS Series B Note, stated amount of \$245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023	109,666	-
RUS ARVP Note, stated amount of \$245,899, no stated interest rate, with interest imputed at 5.80%, maturing December 2023	-	103,685
LEM Settlement Note, interest rate of 8.0%, payable in monthly installments	-	15,658
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 10.50% and 8.95% in 2009 and 2008, respectively), maturing in October 2022	83,300	83,300
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 3.22% and 5.14% in 2009 and 2008, respectively), maturing in June 2013	58,800	58,800
PMCC Promissory Note with an interest rate of 8.5%	-	12,380
	<hr/>	<hr/>
Total long-term debt	848,552	1,039,120
Current maturities	14,185	51,771
	<hr/>	<hr/>
Total long-term debt — net of current maturities	<u>\$834,367</u>	<u>\$987,349</u>

The following are scheduled maturities of long-term debt at December 31:

Year	Amount
2010	\$14,185
2011	14,850
2012	76,081
2013	79,278
2014	21,678
Thereafter	642,480
Total	<u>\$848,552</u>

RUS Notes — On July 15, 1998, Big Rivers recorded the New RUS Promissory Note and the RUS ARVP Note at fair value using the applicable market rate of 5.82%. On the Unwind Closing Date, the New RUS Note and the ARVP Note were replaced with the RUS 2009 Promissory Note Series A and the RUS 2009 Promissory Note Series B, respectively. After an Unwind Closing Date payment of \$140,181, the RUS 2009 Promissory Note Series A is recorded at an interest rate of 5.84%. The RUS 2009 Series B Note is recorded at an imputed interest rate of 5.80%. The RUS Notes are collateralized by substantially all assets of the Company and secured by the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

Pollution Control Bonds — The County of Ohio, Kentucky, issued \$83,300 of Pollution Control Periodic Auction Rate Securities, Series 2001, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate. These bonds bear interest at a variable rate and mature in October 2022.

The County of Ohio, Kentucky, issued \$58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate and mature in June 2013.

The Series 1983 bonds are supported by a liquidity facility issued by Credit Suisse First Boston, which was assigned to Dexia Credit in 2006. Both Series are supported by municipal bond insurance and surety policies issued by Ambac Assurance Corporation. Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policies or the surety policies. Both Series are secured by the Indenture dated July 1, 2009 between the company and U.S. Bank National Association.

These instruments are subject to maximum interest rates of 13% and 18%, respectively. The December 31, 2009 interest rates on the Series 1983 and Series 2001 Pollution Control Bonds were 3.25% and 4.50%, respectively.

LEM Settlement Note — On July 15, 1998 Big Rivers executed the Settlement Note with LEM. The Settlement Note required Big Rivers to pay to LEM \$19,676, plus interest at 8% per annum over the lease term. The principal and interest payment was approximately \$1,822 annually. On the Unwind Closing Date, in connection with the Unwind Transaction the remaining balance on the Settlement Note in the amount of \$15,440 was forgiven.

PMCC Promissory Note — On September 30, 2008 in conjunction with the early termination of the sale-leaseback transaction (see Note 4), Big Rivers executed a promissory note with Phillip Morris Capital Corporation (PMCC). The note required Big Rivers to pay PMCC \$12,380, plus interest at 8.5% per annum. On the Unwind Closing Date Big Rivers repaid the \$12,380 principal amount. At December 31, 2009 the Company had no remaining liability associated with this promissory note.

Notes Payable — Notes payable represent the Company's borrowing on its line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). The maximum borrowing capacity on the lines of credit is \$100,000 consisting of \$50,000 each for CFC and CoBank. There were no borrowings outstanding on the line of credit at December 31, 2009, however letter of credits issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity by \$5,654. Advances on the CFC line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2014. Advances on the CoBank line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2012.

6. RATE MATTERS

The rates charged to Big Rivers' members consist of a demand charge per kW and an energy charge per kWh consumed as approved by the KPSC. The rates include specific demand and energy charges for its members' two classes of customers, the large industrial customers and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. Each member's rural demand charge is based upon the maximum coincident demand of their rural delivery points.

Prior to the Unwind Transaction the demand and energy charges were not subject to adjustments for increases or decreases in fuel or environmental costs. In conjunction with the Unwind Transaction, the KPSC approved the implementation of certain tariff riders; including a fuel adjustment clause and an environmental surcharge, offset by an unwind surcredit (a refund to tariff members of certain charges collected from the Aluminum Smelter in accordance with the contract terms). The net effect of these tariffs is recognized as revenue on a monthly basis with an offset to the regulatory liability – member rate mitigation described below.

The net impact of the tariff riders to members rates is currently mitigated by a Member Rate Stability Mechanism (MRSM) that was funded by certain cash amounts received from the E.ON Entities in connection with the Unwind

Transaction (the Economic and Rural Economic Reserves) and held by Big Rivers as restricted investments. An offsetting regulatory liability – member rate mitigation was established with the funding of these accounts. Big Rivers is required to file a rate case with the KPSC within three years of the unwind or July 2012.

Effective since September 1, 2000, and continuing through August 31, 2008, the KPSC approved Big Rivers' request for a \$3,680 annual revenue discount adjustment for its members, effectively passing the benefit of the sale-leaseback transaction (see Note 4) to them. On September 1, 2008, Big Rivers' discontinued the revenue discount adjustment to its members in conjunction with the sale-leaseback termination.

7. INCOME TAXES

Big Rivers was formed as a tax-exempt cooperative organization described in Internal Revenue Code Section 501(c)(12). To retain tax-exempt status under this section, at least 85% of the Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to nonmembers resulted in Big Rivers failing to meet the 85% requirement. Until Big Rivers can meet the 85% member income requirement, the Company is a taxable cooperative.

Under the provisions of FASB ASC 740, *Income Taxes*, Big Rivers is required to record deferred tax assets and liabilities for temporary differences between amounts reported for financial reporting purposes and amounts reported for income tax purposes. Deferred tax assets and liabilities are determined based upon these temporary differences using enacted tax rates for the year in which these differences are expected to reverse. Deferred income tax expense or benefit is based on the change in assets and liabilities from period to period, subject to an ongoing assessment of realization. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more-likely-than-not recognition threshold is satisfied and measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

As a result of the sale-leaseback terminations in 2008 (see Note 4), Big Rivers no longer considers that it is more likely than not that it will recover its net deferred tax assets (which consisted solely of Alternative Minimum Tax (AMT) credit carryforwards). An income statement charge of \$5,035 relating the AMT amounts carried forward at January 1, 2008 together with a charge of \$900 relating to the 2008 AMT obligation were recorded in the Statement of Operations for 2008. An AMT charge of \$1,025 was recorded in the Statement of Operations for 2009.

At December 31, 2009, Big Rivers had a nonpatron net operating loss carryforward of approximately \$53,138 expiring through 2012, and an alternative minimum tax credit carryforward of approximately \$7,052, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2009, 2008 and 2007, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded \$19,619, \$20,363, and \$7,724 in current regular tax expense for the years ended December 31, 2009, 2008 and 2007, respectively.

The components of the net deferred tax assets as of December 31, 2009 and 2008, were as follows:

	2009	2008
Deferred tax assets:		
Net operating loss carryforward	\$20,990	\$40,609
Alternative minimum tax credit carryforwards	7,052	5,935
Member Rate Mitigation	10,326	-
Fixed asset basis difference	11,420	33,786
	<hr/>	<hr/>
Total deferred tax assets	49,788	80,330
Deferred tax liabilities — ARVP Note	(23,793)	(25,384)
	<hr/>	<hr/>
Net deferred tax asset (prevaluation allowance)	25,995	54,946
Valuation allowance	(25,995)	(54,946)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of the Company's effective tax rate for 2009, 2008 and 2007, follows:

	2009	2008	2007
Federal rate	35.0 %	35.0 %	35.0 %
State rate — net of federal benefit	4.5	4.5	4.5
Patronage allocation to members	(35.4)	(31.3)	(28.0)
Tax benefit of operating loss carryforwards and other	(4.1)	(8.2)	(11.5)
Alternative minimum tax	0.2	18.0	-
	<hr/>	<hr/>	<hr/>
Effective tax rate	<u>0.2 %</u>	<u>18.0 %</u>	<u>- %</u>

The Company files a federal income tax return, as well as several state income tax returns. The years currently open for federal tax examination are 2005 through 2009 and 1990 through 1997, due to unused net operating loss carryforwards. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2002 through 2009 and years 1990 through 1997, also due to unused net operating loss carryforwards. The Company has not recorded any unrecognized tax benefits or liabilities related to federal or state income taxes.

The Company classifies interest and penalties as an operating expense on the income statement and accrued expense in the balance sheet. No interest or penalties have been recorded during 2007, 2008, or 2009.

8. POWER PURCHASED

Prior to the Unwind Transaction and in accordance with the Lease Agreement, Big Rivers supplied all of the members' requirements for power to serve their customers, other than the Aluminum Smelters. Contract limits were established in the Lease Agreement and included minimum and maximum hourly and annual power purchase amounts. Big Rivers could not reduce the contract limits by more than 12 MW in any year or by more than a total of 72 MW over the lease term. In the event Big Rivers failed to take the minimum requirement during any hour or year,

Big Rivers was liable to LEM for a certain percentage of the difference between the amount of power actually taken and the applicable minimum requirement.

Although Big Rivers was required by the Lease Agreement to purchase minimum hourly and annual amounts of power from LEM, the lease did not prevent Big Rivers from paying the associated penalty in certain hours to purchase lower cost power, if available, in the open market or reselling a portion of its purchased power to a third party. The power purchases made under this agreement for the years ended December 31, 2009, 2008, and 2007, were \$51,592, \$99,700, and \$96,295, respectively, and are included in power purchased and interchanged on the statement of operations.

9. PENSION PLANS

Defined Benefit Plans — Big Rivers has noncontributory defined benefit pension plans covering substantially all employees who meet minimum age and service requirements and who were employed by the Company prior to the plans closure dates cited below. The plans provide benefits based on the participants' years of service and the five highest consecutive years' compensation during the last ten years of employment. Big Rivers' policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The salaried employees defined benefit plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit plan was closed to new hires effective November 1, 2008. The Company simultaneously established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed as the retirement savings plans. The base contribution account for an eligible employee, which is one who meets the minimum age and service requirements, but for whom membership in the defined benefit plan is closed, is funded by employer contributions based on graduated percentages of the employee's pay, depending on his or her age.

The Company has adopted FASB ASC 715, *Defined Benefit Plans*, including the requirement to recognize the funded status of its pension plans and other postretirement plans (see Note 12 — Postretirement Benefits Other Than Pensions). FASB ASC 715 defines the funded status of a defined benefit pension plan as the fair value of its assets less its projected benefit obligation, which includes projected salary increases, and defines the funded status of any other postretirement plan as the fair value of its assets less its accumulated postretirement benefit obligation.

FASB ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2009 and 2008.

The following provides an overview of the Company's noncontributory defined benefit pension plans.

A reconciliation of the Company's benefit obligations of its noncontributory defined benefit pension plans at December 31, 2009 and 2008, follows:

	2009	2008
Benefit obligation — beginning of period	\$24,253	\$19,889
Service cost — benefits earned during the period	1,241	1,072
Interest cost on projected benefit obligation	1,466	1,220
Participant contributions (lump sum repayment)	40	318
Plan settlements	262	-
Benefits paid	(3,945)	(248)
Actuarial loss	2,176	2,002
	<hr/>	<hr/>
Benefit obligation — end of period	<u>\$25,493</u>	<u>\$24,253</u>

The accumulated benefit obligation for all defined benefit pension plans was \$18,630 and \$18,568 at December 31, 2009 and 2008, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2009 and 2008, follows:

	2009	2008
Fair value of plan assets — beginning of period	\$20,295	\$21,820
Actual return on plan assets	4,820	(5,095)
Employer contributions	1,060	3,500
Participant contributions (lump sum repayment)	40	318
Benefits paid	(3,945)	(248)
	<u>\$22,270</u>	<u>\$20,295</u>
Fair value of plan assets — end of period	<u>\$22,270</u>	<u>\$20,295</u>

The funded status of the Company's pension plans at December 31, 2009 and 2008, follows:

	2009	2008
Benefit obligation — end of period	\$(25,493)	\$(24,253)
Fair value of plan assets — end of period	22,270	20,295
	<u>\$(3,223)</u>	<u>\$(3,958)</u>
Funded status	<u>\$(3,223)</u>	<u>\$(3,958)</u>

Components of net periodic pension costs for the years ended December 31, 2009, 2008, and 2007, were as follows:

	2009	2008	2007
Service cost	\$1,241	\$1,072	\$958
Interest cost	1,466	1,220	1,058
Expected return on plan assets	(1,332)	(1,516)	(1,167)
Amortization of prior service cost	19	19	19
Amortization of actuarial loss	834	247	285
Settlement loss	1,690	-	-
	<u>\$3,918</u>	<u>\$1,042</u>	<u>\$1,153</u>
Net periodic benefit cost	<u>\$3,918</u>	<u>\$1,042</u>	<u>\$1,153</u>

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2009 and 2008, follows:

	2009	2008
Prior service cost	\$ (59)	\$ (78)
Unamortized actuarial (loss)	(9,651)	(13,226)
	<u>\$(9,710)</u>	<u>\$(13,304)</u>
Accumulated other comprehensive income	<u>\$(9,710)</u>	<u>\$(13,304)</u>

In 2010, \$19 of prior service cost and \$560 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2009 and 2008, follows:

	2009	2008
Prior service cost	\$ 19	\$ 19
Unamortized actuarial (loss)	3,575	(8,365)
Other comprehensive income	<u>\$3,594</u>	<u>\$(8,346)</u>

At December 31, 2009 and 2008, amounts recognized in the statement of financial position were as follows:

	2009	2008
Deferred credits and other	<u>\$(3,223)</u>	<u>\$(3,958)</u>

Assumptions used to develop the projected benefit obligation and determine the net periodic benefit cost were as follows:

	2009	2008	2007
Discount rate — projected benefit obligation	5.59 %	6.38 %	6.25 %
Discount rate — net periodic benefit cost	6.38	6.25	5.75
Rates of increase in compensation levels	4.00	4.00	4.00
Expected long-term rate of return on assets	7.25	7.25	7.25

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen by the Company from a best estimate range determined by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plans, as well as taking into account historical returns.

Using the asset allocation policy adopted by the Company noted in the paragraph below, we determined the expected rate of return at a 50% probability of achievement Level based on (a) forward-looking rate of return expectations for passively-managed asset categories over a 20-year time horizon and (b) historical rates of return for passively-managed asset categories. Applying an approximately 80%/20% weighting to the rates determined in (a) and (b), respectively, produced an expected rate of return of 7.28%, which was rounded to 7.25%.

Big Rivers utilizes a third party investment manager for the plan assets, and has communicated thereto the Company's Retirement Plan Investment Policy, including a target asset allocation mix of 50% U.S. Equities (an acceptable range of 45-55%), 15% International Equities (an acceptable range of 10-20%), and 35% fixed income (an acceptable range of 30-40%). As of December 31, 2009 and 2008, the investment allocation was 55% and 40%, respectively, in U.S. Equities, 11% and 7%, respectively, in International Equities, and 34% and 53%, respectively, in fixed income. The objective of the investment program seeks to (a) maximize return on investment, (b) minimize volatility, (c) minimize company contributions, and (d) provide the employee benefit in accordance with the plans. The portfolio is well diversified and of high quality. The average quality of the fixed income investments must be "A" or better. The Equity portfolio must also be of investment grade quality. The performance of the investment manager is reviewed semi-annually.

At December 31, 2009, the fair value of Big Rivers' defined benefit pension plan assets by asset category are as follows:

	Level 1	Level 2	Total
Cash and Money Market	\$ 815	\$ -	\$ 815
Equity Securities:			
U.S. large-cap stocks	8,580	-	8,580
U.S. mid-cap stock mutual funds	2,064	-	2,064
U.S. small-cap stock mutual funds	1,282	-	1,282
International stock mutual funds	2,328	-	2,328
Preferred stock	404	-	404
Fixed:			
U.S. Government Agency Bonds	-	2,139	2,139
Taxable U.S. Municipal Bonds	-	2,282	2,282
U.S. Corporate Bonds	-	2,376	2,376
	<u>\$15,473</u>	<u>\$6,797</u>	<u>\$22,270</u>

Expected retiree pension benefit payments projected to be required during the years following 2009 are as follows:

Years Ending December 31	Amount
2010	\$ 2,033
2011	1,868
2012	2,911
2013	4,043
2014	2,041
2015–2019	<u>13,642</u>
Total	<u>\$26,538</u>

In 2010, the Company expects to contribute \$1,096 to its pension plan trusts.

Defined Contribution Plans — Big Rivers has two defined contribution retirement plans covering substantially all employees who meet minimum age and service requirements. Each plan has a thrift and 401(k) savings section allowing employees to contribute up to 75% of pay on a pre-tax and/or after-tax basis, with employer matching contributions equal to 60% of the first 6% contributed by the employee on a pre-tax basis.

A base contribution retirement section was added and the plan name changed from thrift and 401(k) savings to retirement savings, effective January 1, 2008, for the salaried plan and November 1, 2008, for the bargaining plan. The base contribution account is funded by employer contributions based on graduated percentages of pay, depending on the employee's age.

The Company's expense under these plans was \$355 and \$308 for the years ended December 31, 2009 and 2008, respectively.

Deferred Compensation Plan — Effective May 1, 2008, Big Rivers established a nonqualified deferred compensation plan for its eligible employees who are members of a select group of management or highly compensated employees. The purpose of the plan is to allow participants to receive contributions or make deferrals that they could not receive or make under the salaried employees qualified defined contribution retirement savings plan (formerly the thrift and 401(k) savings plan) as a result of nondiscrimination rules and other limitations applicable to the qualified plan under the Internal Revenue Code. The nonqualified plan also allows a participant to defer a percentage of his or her pay on a pre-tax basis.

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2009 employer contribution was \$33 and deferred compensation expense was \$67. As of December 31, 2009, the trust asset was \$94 and the deferred liability was \$101.

10. RESTRICTED INVESTMENTS

The amortized costs and fair values of Big Rivers restricted investments held for member rate mitigation at December 31, 2009 are as follows:

	Amortized Costs	Fair Values
Cash and Money Market	\$25,186	\$25,186
Debt Securities:		
U.S. Treasuries	67,895	67,474
U.S. Government Agency	150,144	150,181
	<hr/>	<hr/>
Total	<u>\$243,225</u>	<u>\$242,841</u>

Gross unrealized gains and losses on restricted investments at December 31, 2009 were as follows:

	Gains	Losses
Cash and Money Market	\$ -	\$ -
Debt Securities:		
U.S. Treasuries	12	434
U.S. Government Agency	79	41
	<hr/>	<hr/>
Total	<u>\$91</u>	<u>\$475</u>

Debt securities at December 31, 2009 mature, according to their contractual terms, as follows (actual maturities may differ due to call or prepayment rights):

	Amortized Costs	Fair Values
In one year or less	\$46,102	\$46,112
After one year through five years	197,123	196,729
	<hr/>	<hr/>
Total	<u>\$243,225</u>	<u>\$242,841</u>

Gross unrealized losses on investments and the fair values of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2009, were:

	Less Than 12 Months Losses	Fair Values
Debt securities:		
U.S. Treasuries	\$434	\$59,872
U.S. Government Agency	41	45,026
	<hr/>	<hr/>
Total	<u>\$475</u>	<u>\$104,898</u>

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2009 was eight. Since the company does not intend to sell and will more likely than not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered other-than-temporarily impaired.

The restricted investments related to cash and money market investments are classified as trading securities under ASC 320 and were recorded at fair value using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

Cash and Money Market	<u>\$25,186</u>
-----------------------	-----------------

11. FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures. It applies under other accounting standards that require or permit fair value measurements and does not require any new fair value measurements. This standard of FASB ASC 820 is effective for fiscal years beginning after November 15, 2007. The adoption of the standards of FASB ASC 820 had no impact on the Company's results of operations and financial condition.

The carrying value of accounts receivable, and accounts payable approximate fair value due to their short maturity. At December 31, the Company's cash and cash equivalents included short-term investments in an institutional money market government portfolio account classified as trading securities under ASC 320 that were recorded at fair value which were determined using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

	2009	2008
Institutional money market government portfolio	<u>\$59,887</u>	<u>\$38,424</u>

It was not practical to estimate the fair value of patronage capital included within other deposits and investments due to these being untraded companies.

Big Rivers' long-term debt at December 31, 2009 consists of RUS notes totaling \$706,452 and variable rate pollution control bonds in the amount of \$142,100 (see Note 5). The RUS debt cannot be traded in the market and, therefore, a value other than its outstanding principal amount cannot be determined. The fair value of the Company's variable rate pollution control debt is par value, as each variable rate reset effectively prices such debt to the current market.

12. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for generation bargaining retirees, Big Rivers pays 85% of the premium cost for all retirees age 62 to 65. The Company pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, Big Rivers pays 25% of the premium cost. Beginning at age 65, the Company pays 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, Big Rivers establishes a retiree medical account at retirement equal to \$1,200 per year of service up to 30 years (\$1,250 per year for those retiring on or after 1/1/12). The account balance is credited with interest based on the 10-year treasury rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying the premium cost for the retiree and spouse.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act") was enacted. The Medicare Act created Medicare Part D, a new prescription drug benefit that is available to all Medicare-eligible individuals, effective January 1, 2006. National Rural Electric Cooperative Association (NRECA), the provider of Big Rivers' health plan coverage through the NRECA Group Benefits Trust, chose to become a Medicare Part D provider. Effective January 1, 2006, Part D coverage is the only drug coverage available to Big Rivers' Medicare-eligible retirees.

The discount rates used in computing the postretirement benefit obligation and net periodic benefit cost were as follows:

	2009	2008	2007
Discount rate — projected benefit obligation	5.78 %	6.32 %	5.85 %
Discount rate — net periodic benefit cost	6.32	5.85	5.75

The health care cost trend rate assumptions as of December 31, 2009 and 2008, were as follows:

	2009	2008
Initial trend rate	7.70 %	7.90 %
Ultimate trend rate	4.50 %	4.50 %
Year ultimate trend is reached	2028	2028

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2009	2008
One-percentage-point decrease:		
Effect on total service and interest cost components	\$(138)	\$(37)
Effect on year end benefit obligation	(989)	(290)
One-percentage-point increase:		
Effect on total service and interest cost components	162	44
Effect on year end benefit obligation	1,134	337

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2009 and 2008, follows:

	2009	2008
Benefit obligation — beginning of period	\$2,948	\$2,862
Service cost — benefits earned during the period	878	129
Interest cost on projected benefit obligation	464	167
Transaction benefit obligation assumed in the unwind	8,768	-
Participant contributions	48	61
Plan amendments	175	-
Benefits paid	(203)	(179)
Actuarial (gain) or loss	786	(92)
	<u> </u>	<u> </u>
Benefit obligation — end of period	<u>\$13,864</u>	<u>\$2,948</u>

A reconciliation of the Company's postretirement plan assets at December 31, 2009 and 2008, follows:

	2009	2008
Fair value of plan assets — beginning of period	\$ -	\$ -
Employer contributions	155	118
Participant contributions	48	61
Benefits paid	(203)	(179)
	<u> </u>	<u> </u>
Fair value of plan assets — end of period	<u>\$ -</u>	<u>\$ -</u>

The funded status of the Company's postretirement plan at December 31, 2009 and 2008, follows:

	2009	2008
Benefit obligation — end of period	\$(13,864)	\$(2,948)
Fair value of plan assets — end of period	-	-
	<u> </u>	<u> </u>
Funded status	<u>\$(13,864)</u>	<u>\$(2,948)</u>

The components of net periodic postretirement benefit costs for the years ended December 31, 2009, 2008, and 2007, were as follows:

	2009	2008	2007
Service cost	\$ 878	\$ 129	\$ 85
Interest cost	464	167	153
Amortization of prior service cost	17	2	2
Amortization of actuarial (gain)	(17)	(60)	(70)
Amortization of transition obligation	31	31	31
	<hr/>	<hr/>	<hr/>
Net periodic benefit cost	<u>\$1,373</u>	<u>\$269</u>	<u>\$201</u>

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income at December 31, 2009 and 2008, follows:

	2009	2008
Prior service cost	\$(165)	\$ (7)
Unamortized actuarial gain	407	1,210
Transition obligation	(92)	(123)
	<hr/>	<hr/>
Accumulated other comprehensive income	<u>\$150</u>	<u>\$1,080</u>

In 2010, \$18 of prior service cost, \$0 of actuarial gain, and \$31 of the transition obligation is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2009 and 2008, follows:

	2009	2008
Prior service cost	\$(157)	\$ 2
Unamortized actuarial gain	(803)	33
Transition obligation	30	30
	<hr/>	<hr/>
Other comprehensive income	<u>\$(930)</u>	<u>\$65</u>

At December 31, 2009 and 2008, amounts recognized in the statement of financial position were as follows:

	2009	2008
Accounts payable	\$ (424)	\$ (156)
Deferred credits and other	(13,440)	(2,792)
Net amount recognized	<u>\$ (13,864)</u>	<u>\$ (2,948)</u>

Expected retiree benefit payments projected to be required during the years following 2009 are as follows:

Year	Amount
2010	\$424
2011	599
2012	827
2013	1,014
2014	1,245
2015–2019	<u>8,342</u>
Total	<u>\$12,451</u>

In addition to the postretirement plan discussed above, in 1992 Big Rivers began a postretirement benefit plan which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is \$375 and \$408 at December 31, 2009 and 2008, respectively. The postretirement expense recorded was \$45, \$63, and \$51 for 2009, 2008, and 2007, respectively, and the benefits paid were \$78, \$0, and \$0 for 2009, 2008, and 2007, respectively.

13. RELATED PARTIES

For the years ended December 31, 2009, 2008, and 2007, Big Rivers had tariff sales to its members of \$125,826, \$114,514, and \$113,281, respectively. In addition, for the years ended December 31, 2009, 2008, and 2007, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper (formerly Weyerhaeuser) loads of \$167,885, \$55,124, and \$123,094, respectively.

At December 31, 2009 and 2008, Big Rivers had accounts receivable from its members of \$35,524 and \$16,540, respectively.

14. COMMITMENTS AND CONTINGENCIES

Big Rivers is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.

* * * * *

MEMBER FINANCIAL AND STATISTICAL INFORMATION

Our Members operate their systems on a not-for-profit basis. Accumulated margins remaining after payment of expenses and provision for depreciation constitute patronage capital for the consumers of our Members. Refunds of accumulated patronage capital to individual consumers of our Members are made from time to time on a patronage basis subject to limitations contained in each Member's mortgage with RUS, if applicable, or other applicable debt instruments.

Our Members are our owners and not our subsidiaries. Except with respect to the obligations of our Members under their respective wholesale power contracts and the Smelter Agreements, we have no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of our Members, other than our rights under these contracts. The revenues of our Members are not pledged to us, but their revenues are the source from which they pay for power and energy and transmission services purchased from us. Revenues of our Members are, however, often pledged under their respective mortgages or other debt instruments.

Unaudited financial and statistical information relating to our Members is set forth below. The tables present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to our Members. The information contained below has been taken from RUS Financial and Statistical Reports (RUS Form 7) provided to us by our Members. This information about our Members may not be indicative of their future results. In addition, the assets, liabilities, equity, revenue and margins should not be attributed to us.

Table 1
Big Rivers' Members
Selected Statistics
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2009:			
Average Monthly Residential Revenue (\$)	4,195,793	1,940,410	2,273,613
Average Monthly kWh	59,329,974	27,753,017	32,331,404
Average Residential Revenue (cents per kWh)	7.07	6.99	7.03
Times Interest Earned Ratio	1.48	1.57	1.26
Equity/Assets	24%	29%	34%
Equity/Total Capitalization	30%	32%	40%
2008:			
Average Monthly Residential Revenue (\$)	4,173,242	2,016,338	2,272,982
Average Monthly kWh	62,689,055	29,421,135	34,638,005
Average Residential Revenue (cents per kWh)	6.66	6.85	6.56
Times Interest Earned Ratio	1.13	2.03	1.34
Equity/Assets	24%	29%	38%
Equity/Total Capitalization	30%	33%	43%
2007:			
Average Monthly Residential Revenue (\$)	4,170,143	1,831,843	2,141,500
Average Monthly kWh	64,058,176	29,264,254	34,553,055
Average Residential Revenue (cents per kWh)	6.51	6.26	6.20
Times Interest Earned Ratio	1.59	1.54	1.31
Equity/Assets	25%	29%	39%
Equity/Total Capitalization	30%	31%	43%

Table 2
Big Rivers' Members
Average Number of Customers Served by Each Member
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2009:			
Residential Service.....	45,111	25,940	26,034
Commercial and Industrial.....	9,652	2,050	3,063
Other	76	6	12
Total Customers Served	<u>54,839</u>	<u>27,996</u>	<u>29,109</u>
2008:			
Residential Service.....	45,039	25,808	26,038
Commercial and Industrial.....	9,621	2,052	3,040
Other	76	6	14
Total Customers Served	<u>54,736</u>	<u>27,866</u>	<u>29,092</u>
2007:			
Residential Service.....	44,758	25,453	25,782
Commercial and Industrial.....	9,503	2,041	2,952
Other	76	6	13
Total Customers Served	<u>54,337</u>	<u>27,500</u>	<u>28,747</u>

Table 3
Big Rivers' Members
Annual MWh Sales by Customer Class
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2009:			
Residential Service.....	711,960	333,036	387,977
Commercial and Industrial	8,009,814	95,266	232,273
Other	1,598	1,036	1,033
Total MWh Sales	<u>8,723,372</u>	<u>429,338</u>	<u>621,283</u>
2008:			
Residential Service.....	752,269	353,054	415,656
Commercial and Industrial	8,666,261	98,173	261,187
Other	1,666	1,018	1,034
Total MWh Sales	<u>9,420,196</u>	<u>452,245</u>	<u>677,877</u>
2007:			
Residential Service.....	768,698	351,171	414,637
Commercial and Industrial	8,602,978	101,494	265,115
Other	1,583	1,003	1,657
Total MWh Sales	<u>9,373,259</u>	<u>453,668</u>	<u>681,409</u>

Table 4
Big Rivers' Members
Annual Revenues by Customer Class
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2009:			
Residential Service	\$ 50,349,518	\$23,284,922	\$27,283,351
Commercial and Industrial.....	297,780,615	6,825,406	13,504,966
Other	252,392	67,802	109,221
Total Electric Sales	<u>\$348,382,525</u>	<u>\$30,178,130</u>	<u>\$40,897,538</u>
Other Operating Revenue	1,400,341	918,510	1,020,934
Total Operating Revenue	<u>\$349,782,866</u>	<u>\$31,096,640</u>	<u>\$41,918,472</u>
2008:			
Residential Service	\$ 50,078,902	\$24,196,053	\$27,275,780
Commercial and Industrial.....	307,489,509	6,904,260	13,991,782
Other	244,110	66,009	95,499
Total Electric Sales	<u>\$357,812,521</u>	<u>\$31,166,322</u>	<u>\$41,363,061</u>
Other Operating Revenue	1,686,081	928,236	1,019,877
Total Operating Revenue	<u>\$359,498,602</u>	<u>\$32,094,558</u>	<u>\$42,382,938</u>
2007:			
Residential Service	\$ 50,041,715	\$21,982,113	\$25,697,996
Commercial and Industrial.....	304,081,544	6,857,483	13,587,009
Other	219,014	64,438	87,394
Total Electric Sales	<u>\$354,342,273</u>	<u>\$28,904,034</u>	<u>\$39,372,399</u>
Other Operating Revenue	1,531,503	862,710	993,479
Total Operating Revenue	<u>\$355,873,776</u>	<u>\$29,766,744</u>	<u>\$40,365,878</u>

Table 5
Big Rivers' Members
Summary of Operating Results
for the Years Ended December 31,

	<u>Kenergy</u>	<u>Meade County</u>	<u>Jackson Purchase</u>
2009:			
Operating Revenue and Patronage Capital.....	\$349,782,866	\$31,096,640	\$41,918,472
Depreciation and Amortization	7,970,349	2,956,264	4,325,554
Other Operating Expenses.....	332,864,173	24,726,916	34,448,281
Electric Operating Margin.....	\$ 8,948,344	\$ 3,413,460	\$ 3,144,637
Other Income	985,051	246,919	551,311
Gross Operating Margin.....	\$ 9,933,395	\$ 3,660,379	\$ 3,695,948
Interest on Long-term Debt ⁽¹⁾	6,063,274	2,284,654	2,787,124
Tax Expenses	363,079	32,462	44,969
Other Deductions	567,124	52,403	153,032
Net Margins	<u>\$ 2,939,918</u>	<u>\$ 1,290,860</u>	<u>\$ 710,823</u>
2008:			
Operating Revenue and Patronage Capital.....	\$359,498,602	\$32,094,558	\$42,382,938
Depreciation and Amortization	7,726,978	2,842,245	3,881,043
Other Operating Expenses.....	345,289,107	24,822,687	35,414,883
Electric Operating Margin.....	\$ 6,482,517	\$ 4,429,626	\$ 3,087,012
Other Income	815,095	298,024	452,538
Gross Operating Margin.....	\$ 7,297,612	\$ 4,727,650	\$ 3,539,550
Interest on Long-term Debt ⁽¹⁾	5,997,518	2,281,927	2,510,302
Tax Expenses	322,879	32,994	44,038
Other Deductions	192,084	52,519	129,350
Net Margins	<u>\$ 785,131</u>	<u>\$ 2,360,210</u>	<u>\$ 855,860</u>
2007:			
Operating Revenue and Patronage Capital.....	\$355,873,776	\$29,766,744	\$40,365,878
Depreciation and Amortization	7,415,079	2,702,559	3,433,896
Other Operating Expenses.....	340,042,623	23,911,521	33,968,199
Electric Operating Margin.....	\$ 8,416,074	\$ 3,152,664	\$ 2,963,783
Other Income	1,256,081	363,626	597,872
Gross Operating Margin.....	\$ 9,672,155	\$ 3,516,290	\$ 3,561,655
Interest on Long-term Debt ⁽¹⁾	5,703,124	2,222,123	2,615,535
Tax Expenses	295,302	34,075	43,167
Other Deductions	266,780	49,369	82,890
Net Margins	<u>\$ 3,406,949</u>	<u>\$ 1,210,723</u>	<u>\$ 820,063</u>

(1) Interest on Long-term Debt is net of Interest Charged to Construction.

Table 6
Big Rivers' Members
Condensed of Balance Sheet Information
As of December 31,

	<u>Kenergy</u>	<u>Meade County</u>	<u>Jackson Purchase</u>
2009:			
ASSETS:			
Total Utility Plant ⁽¹⁾	\$239,783,186	\$91,162,723	\$126,585,904
Depreciation.....	62,290,462	24,560,838	39,314,177
Net Plant.....	<u>177,492,724</u>	<u>66,601,885</u>	<u>87,271,727</u>
Other Assets.....	60,673,832	12,737,097	19,302,499
Total Assets.....	<u>\$238,166,556</u>	<u>\$79,338,982</u>	<u>\$106,574,226</u>
EQUITY AND LIABILITIES:			
Equity.....	\$57,985,783	\$23,169,273	\$36,395,561
Long-term Debt.....	133,279,836	48,493,205	54,944,634
Other Liabilities.....	46,900,937	7,676,504	15,234,031
Total Equity and Liabilities.....	<u>\$238,166,556</u>	<u>\$79,338,982</u>	<u>\$106,574,226</u>
2008:			
ASSETS:			
Total Utility Plant ⁽¹⁾	\$233,759,559	\$87,115,338	\$119,013,194
Depreciation.....	59,219,789	22,768,128	37,017,719
Net Plant.....	<u>174,539,770</u>	<u>64,347,210</u>	<u>81,995,475</u>
Other Assets.....	49,209,717	10,588,234	10,862,358
Total Assets.....	<u>\$223,749,487</u>	<u>\$74,935,444</u>	<u>\$ 92,857,833</u>
EQUITY AND LIABILITIES:			
Equity.....	\$54,242,729	\$22,006,214	\$35,664,571
Long-term Debt.....	127,078,125	45,582,373	47,469,582
Other Liabilities.....	42,428,633	7,346,857	9,723,680
Total Equity and Liabilities.....	<u>\$223,749,487</u>	<u>\$74,935,444</u>	<u>\$ 92,857,833</u>
2007:			
ASSETS:			
Total Utility Plant ⁽¹⁾	\$224,786,800	\$83,626,010	\$113,200,271
Depreciation.....	53,319,541	20,865,845	34,096,756
Net Plant.....	<u>171,467,259</u>	<u>62,760,165</u>	<u>79,103,515</u>
Other Assets.....	53,037,690	8,677,372	9,790,190
Total Assets.....	<u>\$224,504,949</u>	<u>\$71,437,537</u>	<u>\$ 88,893,705</u>
EQUITY AND LIABILITIES:			
Equity.....	\$55,307,516	\$20,828,346	\$34,759,030
Long-term Debt.....	129,556,978	46,264,913	46,768,664
Other Liabilities.....	39,640,455	4,344,278	7,366,011
Total Equity and Liabilities.....	<u>\$224,504,949</u>	<u>\$71,437,537</u>	<u>\$ 88,893,705</u>

(1) Including construction work in progress.

[This page intentionally left blank]

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND THE NOTE

The following is a summary of certain provisions of the Financing Agreement and the Note and is not to be considered as a full statement of the provisions thereof. This summary is qualified by reference to and is subject to the complete Financing Agreement and the complete Note, copies of which are available for inspection at our principal offices and the principal offices of the Trustee. All capitalized terms used in this APPENDIX C summary and not defined herein or elsewhere in the Offering Statement shall have the meanings given to them in the Financing Agreement.

The Note

Concurrently with the sale and delivery by the County of the Bonds, we will execute and deliver to the Trustee a Note in an aggregate principal amount equal to the aggregate principal amount of the Bonds delivered by the County. Payments required to be made on the Note will be in amounts sufficient to pay the principal of and interest on the Bonds when due.

Other Payment Obligations

We will pay the reasonable fees and actual out-of-pocket expenses (including counsel fees) necessarily incurred by the County in connection with the Bonds, the issuance and sale thereof and the transaction contemplated by the Bond Indenture, the Mortgage Indenture, the Note and the Financing Agreement, and for the services of the Trustee, the Paying Agent and any co-paying agent.

Term of Financing Agreement

The Financing Agreement will continue in full force and effect until the principal of and interest on all of the Bonds, and all other amounts required to be paid by us under the Financing Agreement, have been paid in full or provision for such payment has been made.

Obligations of Big Rivers Unconditional

Our obligations to make the payments pursuant to the Financing Agreement and the Note are absolute and unconditional. Regardless of whether the Facilities are complete, operating or operable, until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Bond Indenture, we (1) will not suspend or discontinue any payments pursuant to the Financing Agreement or the Note, (2) will perform and observe all our other agreements contained in the Financing Agreement and in the Note, and (3) except in the case of a prepayment in whole of the Note, will not terminate the Financing Agreement for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the applicable Facilities, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of the United States of America or the Commonwealth of Kentucky or any political subdivision thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Financing Agreement, whether express or implied.

Assignment

Under certain conditions we may assign our interest in the Financing Agreement without the necessity of obtaining the consent of either the County or the Trustee, but such assignment shall not relieve us from primary liability for any of our obligations under the Financing Agreement. Any assignee shall assume our obligations under the Financing Agreement to the extent assigned.

Taxes and Other Governmental Charges

We will pay during the term of the Financing Agreement, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Facilities. Compliance with the provisions of the Mortgage Indenture shall constitute compliance with such covenant in the Financing Agreement. The Mortgage Indenture provides that we may, without violating the covenant, withhold payment of any tax or other governmental charge we are contesting the validity thereof by appropriate proceeding in good faith, so long as we shall have set aside on our books adequate reserves with respect thereto.

Tax Covenants

We will covenant that we will not take any action which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1954, as amended and Title XIII of the Tax Reform Act of 1986, and the regulations promulgated thereunder (collectively, the “1954 Code”), and will take, or require to be taken, such acts as may be reasonably within our ability and as may from time to time be required under applicable law or regulation to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes; and in furtherance of such covenants, we will comply with the Tax Certificate and Agreement, dated the date of delivery of the Bonds, executed and delivered by Big Rivers and the Country, as the same may be amended from time to time (the “Tax Certificate”) and the provisions of Section 103 of the 1954 Code. We will also covenant that we (1) will not take any action or fail to take any action with respect to the Bonds which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as incorporated into the 1954 Code by Title XIII of the Tax Reform Act of 1986 and any regulations promulgated or proposed thereunder; and (2) will not use or permit the use of any property financed or refinanced with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in loss of the exclusion of the interest on the Bonds from gross income for federal income tax purposes (other than during the period the Bonds are held by a “substantial user” of the facilities financed or refinanced with the proceeds of the Bonds or a “related person” within the meaning of Section 103(b)(13) of the 1954 Code).

Notwithstanding any other provisions of the Financing Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103(a) of the 1954 Code, the covenants described in the preceding paragraph shall survive the payment for the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Bond Indenture.

Defaults

Any of the following events will constitute an “event of default” under the Financing Agreement:

- (1) Our failure to pay when due any amount required to be paid under the Note to the Trustee for deposit into the Bond Fund.
- (2) Acceleration of payment of any Mortgage Indenture Obligation pursuant to an “event of default” as such term is defined in the Mortgage Indenture.
- (3) Certain events of bankruptcy, dissolution, liquidation or reorganization relating to us.

Remedies

Upon the happening and continuance of an event of default, the County, or the Trustee, as provided in the Bond Indenture:

- (1) shall, by written notice to us, upon the acceleration of the Bonds, declare that an amount equal to the principal of and accrued interest on the Note has matured and is therefore immediately due and payable; and
- (2) may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Note and the Financing Agreement, or to enforce performance and observance of any obligation, agreement or covenant of ours under the Financing Agreement or the Note.

Any declaration accelerating amounts due under the Note will be rescinded upon rescission of any declaration of any acceleration of the Bonds (see “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Events of Default; Remedies”). Any amounts collected pursuant to action taken upon the happening of any event of default shall be paid into the Bond Fund and applied in accordance with the provisions of the Bond Indenture.

No Pecuniary Liability of the County

No provision, covenant or agreement contained in the Financing Agreement or the Note, nor any breach thereof, will constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The County has not obligated itself in making the covenants, agreements or provisions contained in the Financing Agreement, except with respect to the Financing Agreement and the application of the revenues therefrom.

Amendments, Changes and Modifications

No amendment, change, modification, alteration or termination of the Financing Agreement is permissible without the written consent of the Trustee, which consent shall be given in accordance with the Bond Indenture. Pursuant to the provisions of the Bond Indenture, the consent of the Holders of not less than a majority in aggregate principal amount of all Bonds then outstanding is required for any amendment, change or modification of the Financing Agreement. Without the consent or notice of the holders, the County and the Trustee may consent to any amendment, change or modification of the Financing Agreement or Note as may be required (1) by the provisions of the Financing Agreement, the Note and the Bond Indenture, (2) for the purpose of curing any ambiguity or formal defect or omission in the Financing Agreement, (3) to conform to any modifications to or alterations permitted by the Mortgage Indenture or the Bond Indenture, if such provisions are necessary or desirable and do not in the sole opinion of the Trustee materially adversely affect the interest of the Holders or (4) in connection with any other change in the Financing Agreement which, in the judgment of the Trustee, is not to the prejudice of the Trustee or materially adverse to the interests of the Holders of the Bonds. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the Holders of the Bonds would be adversely affected by any such modification or amendment, and any such determination of the Trustee shall be binding and conclusive on us, the County and the Holders of the Bonds. The Trustee shall have no liability as a result of any such determination made in good faith.

[This page intentionally left blank]

**SUMMARY OF CERTAIN PROVISIONS
OF THE BOND INDENTURE**

The following is a summary of certain provisions of the Bond Indenture and is not to be considered as a full statement of the provisions thereof. This summary is qualified by reference to and is subject to the complete Bond Indenture, copies of which are available for inspection at our principal offices and the principal offices of the Trustee. The Bonds are issued under the Bond Indenture and are payable from and secured by a pledge of the Trust Estate for the Bonds, including revenues derived by the County under the Financing Agreement and the Note. All capitalized terms used in this APPENDIX D and not defined herein or elsewhere in this Offering Statement shall have the meanings given to them in the Bond Indenture.

Limited Pledge

The Bonds issued and at any time Outstanding are in all respects equally and ratably secured by the Bond Indenture, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding under the Bond Indenture have the same right, lien and preference under and by virtue of the Bond Indenture. The principal of and interest on the Bonds is payable solely out of the Receipts and Revenues of the County from the Financing Agreement and other security pledged by the Bond Indenture and are not general obligations of the County and will never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Bond Fund; Application of Revenues

A Bond Fund is established under the Bond Indenture as a trust fund to be used by the Trustee to pay when due the principal of and interest on the Bonds. The payments on the Note are to be remitted directly to the Trustee for the account of the County and deposited in the Bond Fund. The Bond Indenture provides that said payments shall be sufficient in amount to pay the principal of and interest on the Bonds when due. The entire amount of Receipts and Revenues are pledged to the payment of the principal of and interest on the Bonds.

The Receipts and Revenues are the amounts payable by us under the Financing Agreement. These amounts are equal to the principal of the Bonds when due at maturity and interest on the Bonds when due from time to time. Our obligation to pay these amounts is evidenced by the Note under the Financing Agreement.

Under the Financing Agreement, the County has covenanted and agreed that so long as any of the Bonds are Outstanding it will deposit, or cause to be deposited, in the Bond Fund sufficient sums from the Receipts and Revenues promptly to meet and pay the principal of and interest on the Bonds when due. A Bond is "Outstanding" within the meaning of the Bond Indenture if it has been authenticated and delivered, unless (i) such Bond has been cancelled or acquired by the Trustee for cancellation, (ii) cash has been deposited with the Trustee in an amount equal to the principal thereof and interest thereon to maturity, (iii) such Bond has otherwise been paid in accordance with the defeasance provisions of the Bond Indenture, or (iv) another Bond has been authenticated and delivered in exchange or in substitution for such Bond.

Investments

Any moneys held as a part of the Bond Fund shall be invested or reinvested by the Trustee, to the extent permitted by law, and in accordance with the Bond Indenture, in Investment Securities selected by us. Investment Securities are defined as the following securities, maturing or redeemable at the option of the holder thereof at such time or times as to enable disbursements to be made from the Bond Fund, in

accordance with the terms of the Bond Indenture, or which shall be marketable prior to the maturities thereof:

- (a) Direct obligations of, or obligations guaranteed by, the United States of America;
- (b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association
- U.S. Department of Housing & Urban Development; and
- Federal Housing Administration;

- (c) United States dollar denominated certificates of deposit (whether negotiable or non-negotiable), demand deposits, time deposits and banker's acceptances with any bank or trust company organized under the laws of any state of the United States of America or any national banking association whose deposit obligations on the date of purchase are rated either "A-1" or better by S&P and "P-1" or better by Moody's (provided that a rating on a holding company shall not be deemed to be such rating on a subsidiary bank);

- (d) Commercial paper which is rated at the time of purchase either "A-1" or better by S&P and "P-1" or better by Moody's and which matures not more than 270 days after the date of purchase;

- (e) Senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

- (f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

- (g) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

- (2)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate and (B) which escrow is sufficient, as verified by a nationally recognized firm of independent certified public accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

Tax Covenant

The County covenants to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1954, as amended and Title XIII of the Tax Reform Act of 1986 (the “1954 Code”), and will take, or require to be taken, such acts as may be reasonably within its ability and as may from time to time be required under applicable law and regulation to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes; and in furtherance of such covenants, the County agrees to comply with the Tax Certificate and the provisions of Section 103 of the 1954 Code. The County further covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause the Bonds to be “arbitrage Bonds” within the meaning of such term as used in Section 148 of the Internal Revenue Code of 1986 (the “1986 Code”), as incorporated into the 1954 Code by Title XIII of the Tax Reform Act of 1986, and any regulations promulgated or proposed thereunder. The County shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the 1986 Code, as incorporated into the 1954 Code by Title XIII of the Tax Reform Act of 1986, from amounts on deposit in the funds and accounts established under the Bond Indenture and available therefor. The County covenants that it will not use or permit the use of any property financed or refinanced with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of exclusion of the interest on the Bonds from gross income for federal income tax purposes (other than during the period the Bonds are held by a “substantial user” of the facilities financed or refinanced with proceeds of the Bonds or a “related person” within the meaning of Section 103(b)(13) of the 1954 Code).

Notwithstanding any other provisions of the Bond Indenture to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103(a) of the 1954 Code, the covenants described in the preceding paragraph shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Bond Indenture.

Events of Default; Remedies

The following each constitute an “Event of Default” for the purposes the Bond Indenture:

(a) payment of the principal of any of the Bonds (whether maturity, upon a call for redemption or otherwise) or interest on any of the Bonds shall not be made within one Business Day of when due with the result that such principal or interest remains unpaid as of such date; or

(b) failure by us to pay when due any amount required to be paid under the Note to the Trustee for deposit into the Bond Fund; or

(c) acceleration of payment of any Mortgage Indenture Obligations pursuant to an event of default as defined in the Mortgage Indenture; or

(d) we file a petition in bankruptcy or are adjudicated as bankrupt or insolvent; or we make an assignment for the benefit of our creditors, or consent to the appointment of a receiver of ourselves or of our property, or institute proceedings for our reorganization, or proceedings instituted by others for our reorganization are not dismissed within thirty days after the institution thereof, or a receiver or liquidator of us or of any substantial portion of our property is appointed and the order appointing such receiver or liquidator shall not be vacated within thirty days after the entry thereof.

Upon the occurrence and continuance of an Event of Default described in clause (c) above under the Bond Indenture, the Trustee shall, and upon the occurrence and continuance of any other Event of Default under the Bond Indenture, the Trustee may, and upon the written request of the holders of not less

than 25.0 percent in aggregate principal amount of the Bonds then Outstanding shall, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable, and the Trustee shall give notice thereof in writing to the County and us, and notice to holders in the same manner as a notice of redemption. Upon any declaration of acceleration under the Bond Indenture, the County and the Trustee shall immediately declare all payments due on the Note to be immediately due and payable as provided in the Financing Agreement.

If at any time after such declaration, but before the Bonds have matured by their terms, all overdue installments of principal and interest upon such Bonds, together with interest on such overdue installments of principal and interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the County under the Bond Indenture (except the principal of, and interest accrued since the next preceding interest payment date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the County or provision satisfactory to the Trustee shall be made for such payment, and all defaults under such Bonds or under the Bond Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the holders of fifty percent in aggregate principal amount of the Bonds Outstanding, by written notice to the County and to the Trustee may rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of maturity of principal and interest on the Note, as provided in the Financing Agreement.

In case of any rescission, then and in every such case the County, the Trustee and the holders shall be restored to their former positions and rights under the Bond Indenture, respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon, nor shall such rescission extend to any instance in which the holder of any Mortgage Indenture Obligation other than the Note has subsequent to a request for rescission declared all unpaid principal of and accrued interest on such other Mortgage Indenture Obligation to be due and payable immediately.

Exercise of Remedies by Trustee

Upon the happening of any Event of Default or upon the failure by the County to observe and perform any covenant, condition, agreement or provision contained in the Bonds or the Bond Indenture, then and in every such case the Trustee in its discretion may, and upon the written request of the holders of not less than twenty-five percent in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the holders, and require us or the County to carry out any agreements with or for the benefit of the holders and to perform its or their duties under the Act, the Financing Agreement, the Note and the Bond Indenture;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the County to account as if it were the trustee of an express trust for the holders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders.

In case any proceeding taken by the Trustee to enforce any right under the Bond Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every case the County, the Trustee and the holders shall be restored to their former positions and rights thereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Holder Direction of Remedial Proceedings

The holders of a majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Bond Indenture or exercising any trust or power conferred on the Trustee by the Bond Indenture.

Limitations on Proceedings by Holders

No holders shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Bond Indenture, or any other remedy thereunder or on the Bonds, unless such holders previously shall have given to the Trustee written notice of an Event of Default as described above and unless also the holders of not less than twenty-five percent in principal amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to institute said suit, action or proceeding shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the holders shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Bond Indenture, or to enforce any right thereunder or under the Bonds of the applicable series, except in the manner therein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all holders.

Application of Moneys Recovered

Any moneys received by the Trustee, by any receiver or by any holder pursuant to any right given or action taken under the Bond Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, shall be deposited in the Bond Fund, and all moneys so deposited in the Bond Fund during the continuance of an Event of Default (other than moneys for the payment of Bonds which had matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

(a) Unless the principal of all the Bonds has become due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the same rate or rates per annum as specified in such Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment with such interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any of such Bonds which shall have become due at maturity (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Bond Indenture), in the order of their due dates, with interest on such Bonds which shall have become due at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full such Bonds which shall have become due on any

particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Bonds has become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the such Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds has become due and payable, and if such event shall thereafter have been rescinded and annulled under the provisions of the Bond Indenture, then, subject to the provisions of paragraph (b) which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a).

Whenever moneys are to be applied pursuant to the provisions of the Bond Indenture described above, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal, premium and interest to be paid on such dates shall cease to accrue. The Trustee shall give notice, by mailing, of the deposit with it of any such moneys and of the filing of any such date to any holder until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Modifications and Amendments

Supplemental Bond Indenture without Holder Consent

The County and the Trustee may, from time to time and at any time, without the consent of or notice to holders, enter into supplemental Bond Indentures as follows:

(a) To specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with the Bond Indenture and which shall not adversely affect the interests of the holders; or

(b) To cure any ambiguity, or to cure, correct or supplement any defect, omission or inconsistent provisions contained in the Bond Indenture, the Financing Agreement, the Mortgage Indenture, or the Note, or to make any provisions with respect to matters arising under the Bond Indenture or for any other purpose if such provisions are necessary or desirable and if such action does not in the sole opinion of the Trustee adversely affect the interests of the holders; or

(c) To grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(d) To add to the covenants and agreements of the County in the Bond Indenture, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(e) To add to the limitations and restrictions in the Bond Indenture, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(f) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Bond Indenture, of the Receipts and Revenues of the County from the Financing Agreement or of any other moneys, securities or funds; or

(g) To comply with the requirements of the Trust Bond Indenture Act of 1939, as from time to time amended; or

(h) To subject to the Bond Indenture additional revenues; or

(i) To make any other changes which do not in the sole opinion of the Trustee materially adversely affect the interest of the holders.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interest of any holders would be adversely affected by any modification or amendment of the Bond Indenture and any such determination shall be binding and conclusive on us, the County, and all holders. The Trustee shall have no liability as a result of any such determination made in good faith. The interests of a holder shall be deemed to be adversely affected by any modification or amendment of the Bond Indenture if such modification or amendment adversely affects or diminishes the rights of such holder.

Before the County may enter into any supplemental Bond Indenture without the consent of the holders, there shall have been filed with the Trustee an opinion of a nationally recognized bond counsel firm experienced in the financing of pollution control and solid waste disposal and sewage facilities and acceptable to us and the Trustee (such counsel, a "Bond Counsel") stating that such supplemental Bond Indenture is authorized or permitted by the Bond Indenture and complies with its terms, and that it will be valid and binding upon the County in accordance with its terms; provided, however, that such opinion may take exception for the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally.

Supplemental Bond Indentures with Holder Consent

For amendments not described immediately above, (i) the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, and (ii) in case of a change in the terms of any sinking fund installment (except as provided in clause (A) of the proviso of this paragraph), the holders of not less than a majority in aggregate principal amount of each maturity of Bonds so affected and Outstanding shall have the right, from time to time to consent to and approve the execution by the County and the Trustee of any supplemental Bond Indenture as shall be deemed necessary or desirable by the County for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture; *provided, however,* that, unless approved in writing by the holders of all affected Bonds then Outstanding, nothing in the Bond Indenture shall permit, or be construed as permitting, (A) a change in the times, amounts or currency of payment of the principal of and interest on any Outstanding Bond, or a reduction in the principal amount or redemption price of any Outstanding Bond or the rate of interest thereon or in any maturity with respect thereto or any sinking fund payment with respect to any Bond, or (B) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the County from the Financing Agreement ranking prior to or on a parity with the claim, lien or pledge created by the Bond Indenture, or (C) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (D) a reduction in the

aggregate principal amount of Bonds the consent of the holders of which is required for any such supplemental Bond Indenture.

If at any time the County shall determine to enter into any supplemental Bond Indenture for any of the permitted purposes, it shall cause notice of the proposed supplemental Bond Indenture to be mailed to the holders. Such notice shall briefly set forth the nature of the proposed supplemental Bond Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all holders.

Within one year after the date of such notice, the County may enter into such supplemental Bond Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (a) the written consents of holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or, if required thereunder, by all holders, and (b) an opinion of Bond Counsel stating that such supplemental Bond Indenture is authorized or permitted by the Bond Indenture and complies with its terms, and that upon execution and delivery it will be valid and binding upon the County in accordance with its terms; *provided, however*, that such opinion may take exception for the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally.

When Big Rivers Consent Required

Any supplemental Bond Indenture which affects any of our rights, powers and authority under the Bond Indenture, the Financing Agreement or the Note or requires a revision of the Financing Agreement, the Note or the Mortgage Indenture shall not become effective unless and until we have consented in writing to such supplemental Bond Indenture.

Amendment of Financing Agreement or the Note without Holder Consent

Without the consent of or notice to the holders, the County and the Trustee may consent to any amendment, change or modification of the Financing Agreement or the Note as may be required (i) by the provisions of the Financing Agreement or the Note, as the case may be, and the Bond Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Bond Indenture, the Financing Agreement or the Note, (iii) to conform to any modifications to or alterations permitted by the Mortgage Indenture or the Bond Indenture, if such provisions are necessary or desirable and do not in the sole opinion of the Trustee materially adversely affect the interest of the holders or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the holders. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the holders would be adversely affected by any such modification or amendment and any such determination shall be binding and conclusive on us, the County and all holders and the Trustee shall have no liability as a result of any such determination made in good faith.

Amendment of Mortgage Indenture and Note

The Trustee shall not exercise any of the rights of a holder of the Note under the Mortgage Indenture to permit any amendment, modification, supplement or consolidation of the Mortgage Indenture or the Note, whereby any such amendment, modification, supplement or consolidation results in changing the times, amounts or currency of payment of the payments due on the Note, without the prior written consent of the holders of the Bonds adversely affected thereby. The Trustee may otherwise consent to the amendment or modification of the Mortgage Indenture or exercise any other rights thereunder of a holder of the Note either (i) without notice to or consent of any holder if the Trustee, in its sole discretion, deems the effects of such exercise, taken as a whole, to be not materially adverse to the interests of the holders or (ii) in any event, upon notice by the Trustee to the holders of the action proposed to be taken and the consent thereto of the holders of a majority in aggregate principal amount of the Bonds then Outstanding;

provided, however, that no such notice to or consent of the holders shall be required in connection with any supplemental Mortgage Indenture or other instrument as may be required by the provisions of the Mortgage Indenture. The Trustee has agreed, pursuant to the terms of the Bond Indenture, to execute and deliver all such further supplemental Mortgage Indentures and other instruments as may be required by the provisions of the Mortgage. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the holders would be adversely affected by any modification or amendment of the Mortgage Indenture or the Note, and any such determination shall be binding and conclusive on us, the County and all holders and the Trustee shall have no liability as a result of any such determination made in good faith.

Defeasance

Any Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid and all covenants, agreements and other obligations of the County to the holders shall thereupon cease, terminate and become void if the following conditions are met: (i) in case such Bond is to be redeemed, we and the County shall have given to the Trustee unconditional and irrevocable instructions and notice to give notice of redemption of such Bond on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or obligations of or guaranteed as to principal and interest by the United States of America, or certificates of an ownership interest in the principal of, premium, if any, or interest on obligations of or guaranteed as to principal and interest by the United States of America, which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of, premium, if any, and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee or any co-paying agent at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on such Bond, and (iii) in the event such Bond does not mature or is not by its terms subject to redemption within the next succeeding 60 days, we and the County shall have given the Trustee irrevocable instructions to give, as soon as practicable, a notice to the holders of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that said Bond is deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and interest on such Bond.

Any cash received from such principal or interest payments on such obligations deposited with the Trustee, (a) to the extent such cash will not be required at any time for the payment of the principal of, premium, if any, and interest on such Bond, shall be paid to us as received by the Trustee, free and clear of any trust, lien or pledge, and (b) to the extent such cash will be required for the payment of the principal of, premium, if any, and interest on such Bond at a later date, shall, to the extent practicable, be reinvested in obligations or certificates of the type described in clause (ii) of the preceding paragraph maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on such Bond on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid to us as received by the Trustee, free and clear of any trust, lien or pledge.

[This page intentionally left blank]

SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE

The Note will be secured under the Mortgage Indenture on a parity basis with other obligations issued or to be issued under the Mortgage Indenture. The following is a summary of the provisions of the Mortgage Indenture. All references to the Mortgage Indenture are qualified by reference to such document, copies of which are on file at our principal office or the principal office of the Trustee, and are available upon request. Capitalized terms used in this APPENDIX E but not otherwise defined in this Offering Statement shall have the meaning set forth in the Mortgage Indenture.

Security for Payment of the Mortgage Indenture Obligations

The Note will be secured equally and ratably with any other obligations issued under the Mortgage Indenture by a lien on substantially all our owned tangible and some of our intangible properties, including our electric generation and transmission facilities and certain of our contracts relating to the purchase, sale or transmission of electricity of more than one year in duration and relating to the ownership, operation or maintenance of electric generation, transmission or distribution facilities owned by us, but excluding all Excepted Property (defined below). The lien of the Mortgage Indenture also extends to revenue generated from the sale or transmission of electricity under certain of these contracts.

The Mortgage Indenture defines Excepted Property to include, among other things:

- Cash on hand or in banks or other financial institutions (excluding such cash to the extent it constitutes proceeds of the Trust Estate in which the security interest created by the Mortgage Indenture is perfected pursuant to the Uniform Commercial Code, for so long as such perfection continues, and also excluding cash deposited or required to be deposited with Trustee pursuant to the Mortgage Indenture);
- Contracts, contract rights and associated general intangibles not specifically subject to the lien of the Mortgage Indenture;
- Equity or debt securities (other than those securities specifically subject to the lien of the Mortgage Indenture), with limited exceptions;
- Allowances for emissions or similar rights granted by any governmental authority;
- Patents, patent licenses, and other patent rights, patent applications, service marks, trade names and trademarks (other than those specifically subject to the lien of the Mortgage Indenture);
- Claims, choses in action and judgments;
- Transportation equipment (including vehicles, vessels, airplanes and barges and all parts and supplies used in connection with that equipment);
- Goods or inventory acquired or produced for the purpose of resale in the ordinary course of business and other personal property consumable in the operation of our business, and all hand and other portable tools, equipment and fuel;

- Office furniture, equipment and supplies and data processing, accounting and other computer equipment, software and supplies;
- Our leasehold interests as lessee (other than for office purposes) under leases for an original term of less than five years;
- Our leasehold interests as lessee for office purposes;
- Timber (separated from the land included in the Trust Estate), coal, ore, gas, oil, minerals, and other natural resources, and all electric energy, gas, steam, water, or other products generated, produced or purchased;
- Non-assignable permits, licenses, franchises, our interest in leases as lessee or lessor, contracts and contractual and other rights not specifically subject to the lien of the Mortgage Indenture;
- Real, personal and mixed property located outside of the Commonwealth of Kentucky not specifically subject to the lien of the Mortgage Indenture;
- Any personal property located outside the Commonwealth of Kentucky in which a security interest cannot be perfected by filing a financing statement under the Uniform Commercial Code; and
- Our interest in other property in which a security interest cannot legally be perfected in the United States.

Our title to the Trust Estate and the lien of the Mortgage Indenture are subject to Permitted Exceptions which include, among other things, restrictions, exceptions, reservations, terms, conditions, agreements, leases, subleases, covenants, limitations, interests and other matters of record on the date of the Mortgage Indenture, or on property we acquire after the date of the Mortgage Indenture as long as those matters do not materially impair the use of our property, reservations contained in U.S. patents, liens for non-delinquent taxes, and liens for delinquent taxes which are being contested in good faith, mechanics', materialmen's or contractors' liens arising in the ordinary course of business which are not delinquent or are being contested in good faith, local improvement district assessments, liens for judgments which are fully covered by insurance or as to which we are prosecuting an appeal and have set aside adequate reserves, leases as a lessor for a term of not more than ten years entered into after the date of the Mortgage Indenture, or, if more than ten years that do not materially impair our use of the leased property in the conduct of our business, easements, rights-of-way and other rights of others in our property for limited purposes to the extent those rights do not in aggregate materially impair the use of the Trust Estate, liens for non-delinquent or contested rent, the undivided or other interests of other owners, liens on those undivided interests and rights of the owners in property owned jointly with us, the pledge of current assets in the ordinary course of business to secure current liabilities, and liens which have been bonded for the amount of obligations secured by those liens or for the payment of which a deposit had been made in the full amount of those liens or privileges of our employees for salary or wages earned but not payable, any right of any municipal or governmental authority and the burdens of any law or regulations, restrictions or other deficiencies of title to easements used by us for pipelines, electric transmission lines or substations or similar facilities if we obtained sufficient right from the apparent owner for the use for which the same are used or we have power of eminent domain to correct the differences or the deficiencies may be remedied without undue effort or expense. The lien of the Mortgage Indenture will also be subject to the lien in favor of Trustee to recover amounts owed to it under the Mortgage Indenture.

The Mortgage Indenture contains provisions subjecting all of our after-acquired property, other than Excepted Property, to the lien of the Mortgage Indenture with limited exceptions relating to purchase money and pre-existing liens (provided, in the case of real property, we file a Supplemental Indenture describing such property). In the case of any consolidation, merger, or conveyance or transfer of the Trust Estate substantially as an entirety, the Mortgage Indenture is not required to be a lien upon any property then owned or thereafter acquired by the successor entity other than upon:

- Betterments, extensions, improvements, additions, repairs, renewals, replacements, substitutions and alterations to or upon the Trust Estate;
- Property made the basis of withdrawal of cash from Trustee or the release of property from the lien of the Mortgage Indenture;
- Property acquired or constructed with the proceeds of (i) insurance on any part of the Trust Estate or (ii) any part of the Trust Estate released from the lien of the Mortgage Indenture or disposed of free from any such lien or taken by eminent domain;
- Property acquired to maintain and repair the property subject to the lien of the Mortgage Indenture in accordance with the requirements of the Mortgage Indenture;
- Property acquired or constructed with Trust Moneys (as defined below) paid upon our request; and
- All property, leases, contracts, rights-of-way, franchises, licenses, permits or easements acquired in alteration, substitution, surrender or modification of those property rights, and all monies deposited with Trustee in connection with the disposition, alteration, or modification of those property rights.

In the event the Mortgage Indenture was not a lien on any such properties then owned or thereafter acquired by the successor entity, no additional Mortgage Indenture Obligations could be issued under the Mortgage Indenture (other than Mortgage Indenture Obligations issued in exchange or substitution for outstanding Mortgage Indenture Obligations).

Release and Substitution of Property

So long as no Event of Default exists under the Mortgage Indenture, we will be able to use and deal with the real and personal property (including licenses, permits, contracts and cash proceeds of the Trust Estate subject to the lien of the Mortgage Indenture, other than cash deposited or required to be deposited with the Indenture Trustee) subject to the lien of the Mortgage Indenture (including releasing, amending, terminating, abandoning or disposing of such property) to facilitate our day-to-day operations. Certain of these transactions will require that we find that such transactions will not adversely affect in any material respect the security afforded by the Mortgage Indenture and are:

- Desirable in the conduct of our business; or
- Made in lieu and reasonable anticipation of the taking by eminent domain or purchase of such property by a governmental entity.

Certain of these transactions also would require the substitution of Bondable Additions, the deposit of cash with the Indenture Trustee or the retirement or defeasance of Mortgage Indenture Obligations, in each case of equivalent value of the fair value of the property to be released. Cash deposited with the Indenture Trustee as a result of the authentication and delivery of Mortgage Indenture Obligations can be withdrawn against 90.91% of Bondable Additions or retired or defeased Mortgage Indenture Obligations

of equivalent value. Trust Moneys (as hereinafter defined) can be withdrawn against Bondable Additions or retired or defeased Mortgage Indenture Obligations, in either case of equivalent value, and can, at our option, be used for the redemption of Mortgage Indenture Obligations prior to their maturity, for the payment of principal on Mortgage Indenture Obligations at their maturity or for the purchase of Mortgage Indenture Obligations. To the extent that any Trust Moneys consist of the proceeds of insurance upon any part of the property subject to the lien of the Mortgage Indenture, such Trust Moneys can be withdrawn to reimburse us for costs to repair, rebuild or replace the destroyed or damaged property.

“Trust Moneys” is defined in the Indenture as all money received by the Indenture Trustee:

- Upon the release of any part of the Trust Estate from the lien of the Mortgage Indenture, including all moneys received in respect of the principal of all purchase money obligations deposited with the Indenture Trustee in respect of its release of property;
- As compensation for, or proceeds of the sale of, any part of the Trust Estate subject to the lien of the Mortgage Indenture taken by eminent domain or purchased by, or sold pursuant to an order of, a governmental authority or otherwise disposed of;
- As proceeds of insurance upon any part of the Trust Estate subject to the lien of the Mortgage Indenture required to be paid to the Indenture Trustee pursuant to the Mortgage Indenture; or
- For application as Trust Moneys under the relevant provision of the Mortgage Indenture or whose disposition was not otherwise specifically provided for in the Mortgage Indenture.

Covenants

The Indenture requires us to establish and collect rates, rents, charges, fees and other compensation (collectively, the “Rates”) that produce money sufficient, together with other moneys available to us, to enable us to comply with all covenants under the Mortgage Indenture. Subject to the approval or determination of any regulatory or judicial authority with jurisdiction over Rates, the Mortgage Indenture requires us to establish and collect Rates which are reasonably expected, together with our other revenue, to yield a MFI Ratio equal to at least 1.10 for each fiscal year. Promptly upon any material change in the circumstances which were not contemplated at the time such Rates were most recently reviewed but not less frequently than once every 12 months, we will be required to review the Rates so established and, subject to any necessary regulatory approval and the approval of the RUS, if required, promptly establish or revise such Rates as necessary to comply with the foregoing requirements. We will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of our business with respect to which a charge is regularly or customarily made, free of charge to any Person, and we will use commercially reasonable efforts to enforce the payment of any and all accounts owing to us with respect to the use, output, capacity or service of our business. A failure by us to actually achieve a 1.10 MFI Ratio will not itself constitute an Indenture Event of Default under the Mortgage Indenture. A failure to establish Rates reasonably expected to achieve a 1.10 MFI Ratio, however, will be an Indenture Event of Default if such failure continues for 30 days after we receive notice thereof from either the Indenture Trustee or the holders of not less than 20% in principal amount of the outstanding Mortgage Indenture Obligations, unless such failure results from our inability to obtain regulatory approval.

MFI Ratio, for any period, is (i) the sum of (a) Margins for Interest (as defined below) for such period, plus (b) Interest Charges (as defined below) for such period, divided by (ii) Interest Charges for such period. Margins for Interest means, for any period, the sum of each of the following for such period:

- Our net margins (which include our revenues subject to refund at a later date but exclude provisions for (i) non-recurring charges to income, including the non-recoverability of assets or expenses, except to the extent we determine to recover such charges in Rates and (ii) refunds of revenues collected or accrued in any prior year subject to possible refund; plus
- Any amount included in net margins for accruals for federal and state income and other taxes imposed on income after deduction of interest expense; plus
- Any amount included in net margins for any losses incurred by any subsidiary or affiliate of ours; plus
- Any amount we actually receive in such period as a dividend or other distribution of earnings of any subsidiary or affiliate of ours (whether or not such earnings were for such period or any earlier period); minus
- Any amount included in net margins for any earnings or profits of any subsidiary or affiliate of ours; and minus
- Any amount we actually contribute to the capital of, or actually pay under a guarantee by us of an obligation of, any subsidiary or affiliate in such period to the extent of any accumulated losses incurred by such subsidiary or affiliate (whether or not such losses were for such period or any earlier period), but only to the extent (i) such losses have not otherwise caused other contributions or payments to be included in net margins for purposes of computing Margins for Interest for a prior period and (ii) such amount has not otherwise been included in net margins.

Margins for Interest are determined in accordance with Accounting Requirements; provided, however, that such determination may not be made on a consolidated basis.

“Interest Charges” is defined in the Mortgage Indenture to mean, for any period, the total interest charges (whether capitalized or expensed) for such period (which, except as otherwise provided in this definition, shall be determined in accordance with Accounting Requirements) related to (i) our Outstanding Secured Obligations or (ii) our outstanding Prior Lien Obligations, in all cases including amortization of debt discount and premium on issuance, but excluding all interest charges related to Mortgage Indenture Obligations that have actually been paid by another Person that has agreed to be primarily liable for such Indenture Obligation pursuant to an assumption agreement or similar undertaking, provided such assumption agreement or similar undertaking is not a mechanism by which we continue to make payments to such Person based on payments made by such Person on account of its assumed liability or by which we otherwise seek to avoid having interest related to such Mortgage Indenture Obligations included in the definition of Interest Charges without the economic substance of an assumption of liability on the part of such Person.

The Mortgage Indenture prohibits us from making any distribution, payment or retirement of patronage capital to our members if, at the time thereof or after giving effect thereto:

- An Indenture Event of Default then exists;
- Our aggregate margins and equities as of the end of the immediately preceding fiscal quarter would be less than 20% of our total long-term debt and equities at such time; or

- The aggregate amount expended for all such distributions to our members on and after the date on which our aggregate margins and equities first reached 20% of our long-term debt and equities shall exceed 35% of our aggregate net margins earned after such date.

Notwithstanding such restrictions, so long as no Indenture Event of Default exists, we may make distributions, payments or retirements of patronage capital to members if, after giving effect thereto, our aggregate margins and equities as of the end of our most recent fiscal quarter would have been not less than 30% of our total long-term debt and equities as of such date.

The Mortgage Indenture obligates us to keep all of our property subject to the lien of the Mortgage Indenture free and clear of other liens, subject to Permitted Exceptions and certain purchase money on our after-acquired property not in excess of 80% (or with respect to property that is not necessary to the operations of the remaining portion of our business, 100%) of the lesser of the cost or the fair value of such property and in the aggregate not in excess of 15% of the aggregate principal amount of all Mortgage Indenture Obligations.

Credit Enhancement

The Mortgage Indenture provides that Mortgage Indenture Obligations of any series may have the benefit of an insurance policy, letter of credit, surety bond, or other similar unconditional obligation to pay when due the principal and interest of the Mortgage Indenture Obligations of such series (each, a “Credit Enhancement”) issued by a credit enhancer (a “Credit Enhancer”).

Additional Mortgage Indenture Obligations

The principal amount of Mortgage Indenture Obligations that can be issued under the Mortgage Indenture is limited to three billion dollars (\$3,000,000,000). However, the Mortgage Indenture may be amended to increase such limit without the consent of holders of Mortgage Indenture Obligations. Additional Mortgage Indenture Obligations, ranking equally and ratably with the Mortgage Indenture Obligations issued to refinance or evidence our secured indebtedness outstanding at such time, may be issued from time to time:

- Against:
 - 90.91% of Bondable Additions;
 - 90.91% of Certified Progress Payments;
 - The aggregate principal amount of retired or defeased Mortgage Indenture Obligations;
 - The amount of cash deposited with the Indenture Trustee; and
- To evidence reimbursement Obligations to Credit Enhancers in connection with Credit Enhancement or guarantees of other Mortgage Indenture Obligations.

Bondable Additions are equal to (i) the bondable value of all certified Property Additions (as to which the lien of the Mortgage Indenture shall be subject only to Permitted Exceptions), less (ii) property (“Retirements”) subject to the lien of the Mortgage Indenture that is retired after December 31, 2008 (the “Cut-Off Date”). Property Additions are limited under the Mortgage Indenture to certain of our property chargeable to our fixed plant accounts, subject to the lien of the Mortgage Indenture, acquired or constructed by us since the Cut-Off Date, and not subject to pre existing liens securing indebtedness prior

to or on a parity with the lien of the Mortgage Indenture. In addition Property Additions include tangible property we acquired from WKEC as part of the Unwind, including the flue gas desulphurization system and associated equipment at our Coleman Mortgage Plant, regardless of when we acquired title to such property. For the purpose of calculating the amount of Property Additions and Retirements, (i) the bondable value of property acquired after the Cut Off Date is the lesser of its cost or fair value to us (determined as of the time of acquisition) and (ii) the bondable value of the tangible property acquired from WKEC in the Unwind is \$98.5 million plus the cost of acquisition by WKEC of all such tangible property (other than the flue gas desulphurization system and associated equipment at our Coleman Plant) as reflected on the books of WKEC. The amount of Bondable Additions available for the issuance of additional Mortgage Indenture Obligations is the bondable value of all Property Additions (calculated as described above) after December 31, 2008 plus the bondable value of the tangible property acquired from WKEC in the Unwind on July 16, 2009, minus the bondable value of all property subject to the lien of the Mortgage Indenture that is retired or disposed after December 31, 2008. As a result, as of December 31, 2009, we could have issued approximately \$194.6 million of additional Mortgage Indenture Obligations on the basis of Bondable Additions.

In order to finance the construction of generation and related facilities on a contract basis, we can issue additional Mortgage Indenture Obligations in an aggregate principal amount up to 90.91% of the progress payments (“Certified Progress Payments”) made under qualified contracts for engineering, construction or procurement services which have been assigned to the Indenture Trustee (“Qualified EPC Contracts”). Such additional Mortgage Indenture Obligations are limited in principal amount to 30% of the Outstanding Secured Obligations under the Mortgage Indenture. As Property Additions are added to the Trust Estate as a consequence of Certified Progress Payments, we can certify such Property Additions as Bondable Additions to (i) issue additional Mortgage Indenture Obligations on the basis of Bondable Additions provided that we use a portion of the proceeds of such additional Mortgage Indenture Obligations to pay a specified portion of the Mortgage Indenture Obligations issued on the basis of Certified Progress Payments or (ii) convert principal amounts outstanding under the Mortgage Indenture Obligations issued on the basis of Certified Progress Payments to principal amounts outstanding under the Mortgage Indenture Obligations issued on the basis of Bondable Additions.

Before we may issue additional Mortgage Indenture Obligations on the basis of Bondable Additions, retirement or defeasance of Mortgage Indenture Obligations, the deposit of cash with the Indenture Trustee or Certified Progress Payments, we must certify that our MFI Ratio was at least 1.10 during the immediately preceding fiscal year (or, if the certification is made within 90 days of the end of a fiscal year, our second preceding fiscal year) or during any consecutive 12-month period within the 15 month period immediately preceding our request for the issuance of additional Mortgage Indenture Obligations.

Events of Default and Remedies

The following are Indenture Events of Default:

- Failure to pay principal of or premium, if any, on any Indenture Obligation when due after any applicable grace period;
- Failure to pay any interest on any Indenture Obligation when due which continues for 5 days;
- Any other breach by us of any of our warranties or covenants contained in the Indenture which continues for 30 days after written notice thereof from the Indenture Trustee or the holders of not less than 25% in principal amount of the outstanding Mortgage Indenture Obligations, unless such default cannot be reasonably cured within such 30 day period in which case, so long as a cure is being

diligently pursued, we shall have a reasonable period of time beyond such 30 day period to complete such cure;

- Failure to pay when due the principal of any other indebtedness for money borrowed, which failure has resulted in the declaration of acceleration of indebtedness in excess of \$10 million, if such indebtedness is not discharged or such declaration of acceleration is not rescinded or annulled within 10 days after such acceleration;
- A judgment against us in excess of \$10 million which remains unsatisfied or unstayed for 45 days after either entry of judgment or termination of stay, and such judgment remains unstayed or unsatisfied for a period of 10 days after notice thereof from the Indenture Trustee or the holders of not less than 25% in principal amount of the outstanding Mortgage Indenture Obligations; or
- Certain other proceedings in bankruptcy, receivership, insolvency, liquidation or reorganization.

Subject to the provisions of the Mortgage Indenture relating to the duties of the Indenture Trustee, in case an Indenture Event of Default should occur and be continuing, the Indenture Trustee is under no obligation to exercise any of its rights or powers under the Mortgage Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Indenture Trustee a reasonable indemnity. Subject to provisions for the indemnification of the Indenture Trustee, the holders of a majority in aggregate principal amount of the outstanding Mortgage Indenture Obligations have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or exercising any trust or power conferred on the Indenture Trustee, except that, so long as it is not in default with respect to its Credit Enhancement for any Mortgage Indenture Obligations, a Credit Enhancer for, and not the actual holders of, Mortgage Indenture Obligations subject to Credit Enhancement would be deemed to be the holder of such Mortgage Indenture Obligations for purposes of, among other things, taking action in connection with the remedies set forth in the Mortgage Indenture.

If an Indenture Event of Default should occur and be continuing, either the Indenture Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Mortgage Indenture Obligations may accelerate the maturity of all Mortgage Indenture Obligations. However, after such declaration of acceleration, but before a sale of any of the property subject to the lien of the Mortgage Indenture or a judgment or decree based on such declaration of acceleration, the holders of a majority in aggregate principal amount of outstanding Mortgage Indenture Obligations may, under certain circumstances, rescind such declaration of acceleration if we have paid or deposited sufficient amounts with the Indenture Trustee and all Events of Default, other than the non-payment of accelerated principal, had been cured or waived as provided in the Mortgage Indenture.

No holder of any Indenture Obligation has any right to institute any proceeding with respect to the Mortgage Indenture or for any remedy thereunder, unless:

- Such holder had previously given to the Indenture Trustee written notice of a continuing Indenture Event of Default;
- The holders of not less than 25% in aggregate principal amount of the outstanding Mortgage Indenture Obligations had made written request and such holders (other than the Government) have offered reasonable indemnity to the Indenture Trustee to institute such proceeding as Indenture Trustee;
- The Indenture Trustee for 60 days after its receipt of such notice, request and indemnity had failed to institute any such proceeding; and

- The Indenture Trustee had not received during such 60 day period from the holders of a majority in aggregate principal amount of the outstanding Mortgage Indenture Obligations a direction inconsistent with such request.

However, such limitations on the holders' rights to institute proceedings would not apply to a suit instituted by a holder of an Indenture Obligation for the enforcement of payment of the principal of, and premium, if any, or interest on such Indenture Obligation on or after the respective due dates expressed in such Indenture Obligation.

The Mortgage Indenture provides that the Indenture Trustee, within 90 days after the occurrence of the Mortgage Indenture Event of Default (but at least 60 days after the occurrence of certain specified Indenture Events of Default), shall give to the holders of Mortgage Indenture Obligations notice of all uncured defaults known to it, provided that, except in the case of an Indenture Event of Default in the payment of principal of, and premium, if any, or interest on Mortgage Indenture Obligations, the Indenture Trustee would be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of Mortgage Indenture Obligations.

If an Indenture Event of Default should occur and be continuing, the Indenture Trustee may sell the property subject to the lien of the Mortgage Indenture, in either a judicial or nonjudicial proceeding, and the proceeds for disposition of such property, after payment of amounts owing to the Indenture Trustee, shall be applied as follows:

- *First*, to the payment of all amounts due to the Indenture Trustee;
- *Second*,
 - If all Mortgage Indenture Obligations shall have become due and payable, to the payment of outstanding Mortgage Indenture Obligations without preference or priority between interest or principal or among Mortgage Indenture Obligations, or
 - If the principal of all Mortgage Indenture Obligations shall not have become due and payable, then (A) first to interest installments in the order of their maturity and (B) second to principal or redemption price;
- *Third*, to payment of all other amounts due and unpaid on Mortgage Indenture Obligations;
- *Fourth*, to payment of amounts to maintain the value of reserve funds relating to certain tax exempt bonds; and
- *Fifth*, to us or whosoever may be lawfully entitled to receive any remaining amount.

The Indenture requires us to deliver to the Indenture Trustee, within 120 days after the end of each calendar year, a written statement as to our compliance with all our obligations under the Mortgage Indenture. In addition, we are required to deliver to the Indenture Trustee, promptly after any of our officers may be reasonably deemed to have knowledge of a default under the Mortgage Indenture, a written notice specifying the nature and duration of the default and the action we are taking and propose to take with respect thereto.

Amendments and Supplemental Indentures

Waiver of Covenants

Our compliance with the covenants contained in the Mortgage Indenture relating to (i) limitation on liens, (ii) payment of taxes, (iii) maintenance of properties, (iv) insurance, (v) delivery of annual compliance certificates and notice of default under the Mortgage Indenture, (vi) establishing and reviewing certain Rates (other than establishing Rates necessary to comply with the covenants of the Mortgage Indenture), (vii) distributions to our members and (viii) investment of certain moneys, may be waived by a vote of the holders of a majority of the aggregate principal amount of the Mortgage Indenture Obligations outstanding.

Supplemental Indentures Without Consent of Holders

Without the consent of the holders of any Mortgage Indenture Obligations, we, when authorized by a board resolution, and the Indenture Trustee will be able, from time to time, to enter into one or more supplemental Indentures:

- To correct or amplify the description of any property at any time subject to the lien of the Mortgage Indenture;
- To confirm property subject or required to be subjected to the lien of the Mortgage Indenture or to subject additional property to the lien of the Mortgage Indenture;
- To add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the issue, authentication and delivery of Mortgage Indenture Obligations or of any series of Mortgage Indenture Obligations under the Mortgage Indenture;
- To create any new series of Mortgage Indenture Obligations;
- To modify or eliminate any of the terms of the Mortgage Indenture, provided in the event any such modification or elimination would adversely affect or diminish the rights of any holder, such supplemental Indenture shall state that any such modification or elimination shall become effective only when there are no Mortgage Indenture Obligations outstanding under any series created prior to such supplemental Indenture and provided the Indenture Trustee may decline to execute such supplemental Indenture which does not afford adequate protection to the Indenture Trustee;
- To evidence the succession of another corporation to us and the assumption by any such successor of our covenants;
- To evidence the succession of another Indenture Trustee or the appointment of a co-Indenture Trustee or separate Indenture Trustee;
- To add to our covenants or the Indenture Events of Default for the benefit of all or any series of Mortgage Indenture Obligations or to surrender any of our rights or powers;
- To cure any ambiguity, to correct or supplement any provision in the Mortgage Indenture which may be inconsistent with any other provisions or to make any other provisions, with respect to matters or questions arising under the Mortgage Indenture, which shall not be inconsistent with the provisions of the Mortgage Indenture, provided such action shall not in our opinion, as evidenced by an officer's

certificate delivered to the Indenture Trustee, adversely affect the interests of the holders of the Mortgage Indenture Obligations in any material respect;

- To modify, eliminate or add to the provisions of the Mortgage Indenture to the extent necessary to effect the qualification of the Mortgage Indenture under any federal statute, to modify, eliminate or add to the provisions of the Indenture to the extent that any such provisions relating to requirements under the Trust Indenture Act of 1939 (the “TIA”) have been modified or eliminated in the TIA after the date of the Mortgage Indenture, to add or change any provisions of the Indenture to the extent necessary to permit or facilitate the issuance of Mortgage Indenture Obligations in bearer or book-entry form;
- To permit the issuance of Mortgage Indenture Obligations in bearer or book-entry form;
- To make any change in the Mortgage Indenture that, in the reasonable judgment of the Indenture Trustee, would not materially and adversely affect the rights of holders of Mortgage Indenture Obligations. A supplemental Indenture will be presumed not to materially and adversely affect the rights of holders if (i) the Mortgage Indenture, as so supplemented and amended, secures equally and ratably the payment of principal of (and premium, if any) and interest on the Mortgage Indenture Obligations which are to remain outstanding and (ii) we shall furnish to the Indenture Trustee written evidence from (x) the nationally recognized statistical rating organization or organizations then rating the Mortgage Indenture Obligations (or other Obligations primarily secured by Mortgage Indenture Obligations) or (y) if there are more than two (2) such organizations, at least two (2) of such organizations, that its ratings of the Mortgage Indenture Obligations (or other Obligations primarily secured by Mortgage Indenture Obligations) will not be withdrawn or reduced as a result of the changes in the Indenture affected by such supplemental Indenture, provided that any changes in the Mortgage Indenture that require the consent of all of the holders of Mortgage Indenture Obligations affected thereby may not be made on the basis that they do not materially and adversely affect the rights of holders. See “Supplemental Indentures With Consent of Holders;” and
- To increase the maximum principal amount of Mortgage Indenture Obligations which may be authenticated and delivered under the Mortgage Indenture.

Supplemental Indentures With Consent of Holders

With the consent of the holders of not less than a majority in principal amount of the Mortgage Indenture Obligations of all series then outstanding affected by such supplemental Indenture, we and the Indenture Trustee will be able, from time to time, to enter into one or more supplemental Indentures to add, change or eliminate any of the provisions of the Mortgage Indenture or modify the rights of the holders of such Mortgage Indenture Obligations, but no such supplemental Indenture will, without the consent of the holder of each outstanding Indenture Obligation affected thereby:

- Change the Stated Maturity (the date specified in each Mortgage Indenture Obligations as the date on which the principal of such Mortgage Indenture Obligations or an installment of interest on any Indenture Obligation is due and payable);
- Reduce the principal of, or any installment of interest on, any Indenture Obligation, or any premium payable upon the redemption thereof;
- Change any Place of Payment (the city or political subdivision thereof in which we are required by the Indenture to maintain an office or agency for payment of the principal of or interest on the Mortgage Indenture Obligations) where any Indenture Obligation, or the interest thereon, is payable;

- Impair the right to institute suits for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- Reduce the percentage in principal amount of the outstanding Mortgage Indenture Obligations the consent of the holders of which is required for various purposes;
- Modify certain other provisions of the Mortgage Indenture;
- Permit the creation of any lien (other than as permitted in the Mortgage Indenture) ranking prior to or on a parity with the lien of the Mortgage Indenture with respect to all or substantially all of the property subject to the lien of the Mortgage Indenture; or
- Modify the provisions of any mandatory sinking fund so as to affect the rights of a holder to the benefits thereof.

Defeasance

Subject to certain other conditions, the Mortgage Indenture provides that Mortgage Indenture Obligations will be deemed to have been paid and any of our Obligations to the holders of such Mortgage Indenture Obligations will be discharged, if we deposit with the Indenture Trustee or paying agent cash or Defeasance Securities (as defined below) maturing as to principal and interest in such amounts and at such times as are sufficient, without consideration of reinvestment of such interest, to pay when due the principal or (if applicable) redemption price and interest due and to become due on such Mortgage Indenture Obligations. “Defeasance Securities” is defined in the Mortgage Indenture to include non-callable bonds or other obligations of the principal and interest on which constitute direct obligations of, or are unconditionally guaranteed by the United States of America, or certificates of interest or participation in any such obligations, or in specified portions thereof (which may consist of specified portions of the interest thereon).

SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS

The following is a summary of certain provisions of the Smelter Agreements. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the summarized documents, copies of which are available for inspection at our principal offices and the principal offices of the Trustee. The Smelters have largely identical obligations under the agreements described below, so this summary does not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint. All capitalized terms used in this APPENDIX F summary and not defined herein or elsewhere in the Offering Statement shall have the meanings given to them in the Smelter Agreements.

Structure

The principal terms and conditions relating to our sale of electric services to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The basic structure of the sale of electric services is that we sell the electric services to Kenergy and then Kenergy in turns sells those electric services to each Smelter. Because the Smelters are customers of Kenergy, Big Rivers has entered into two, separate wholesale service agreements (each a “Smelter Agreement”) with Kenergy. Under each Smelter Agreement, we supply Kenergy with electric service for resale to a particular Smelter. Kenergy has entered into a separate retail electric service agreement (a “Smelter Retail Agreement”) with each Smelter. We and each Smelter have also entered into a Smelter Coordination Agreement (a “Smelter Coordination Agreement” and, together with the Smelter Agreements and the Smelter Retail Agreements, the “Smelter Agreements”) that sets forth certain direct obligations between us and a Smelter. Due to the pass-through nature of the principal obligations between us and each Smelter, the Smelter Agreement and the Smelter Retail Agreement relating to each Smelter are substantially the same.

Nature of Service

The aggregate amount of energy made available to the Smelters under the Smelter Retail Agreements consists of three types of energy referred to as (1) Base Monthly Energy, (2) Supplemental Energy and (3) Back-Up Energy.

Base Monthly Energy

The primary type of energy provided is Base Monthly Energy. “Base Monthly Energy” is the actual amount of energy delivered to the Smelter other than Supplemental Energy provided by Big Rivers or Market Energy provided by third-party suppliers plus energy not delivered as a result of the Smelter’s exercise of certain rights to curtail deliveries of energy. Base Monthly Energy is capped at 368 MW per hour for Alcan and 482 MW per hour for Century. The Smelter Retail Agreements do not require the Smelters to schedule Base Monthly Energy but do require each Smelter to use reasonable commercial efforts to inform Kenergy and us promptly of any material change in its intended usage of Base Monthly Energy.

Supplemental Energy

In addition to Base Monthly Energy, the Smelters may purchase Supplemental Energy in certain circumstances. “Supplemental Energy” itself consists of three distinct subsets of energy products in excess of Base Monthly Energy:

Interruptible Energy. Each of the Smelters may purchase up to 10 MW per hour in excess of Base Monthly Energy, from our power supply resources on an interruptible basis (“Interruptible

Energy”). Interruptible Energy may be interrupted if we determine in good faith that our energy resources will be insufficient to supply both the requested Interruptible Energy and our obligations to our Members, all other obligations to the Smelters, and any firm commitments to third parties made prior to our agreement to sell such Interruptible Energy.

Buy-Through Energy. If we interrupt any Interruptible Energy, then we may, at our option, offer energy at a quoted price following the notice of interruption (“Buy-Through Energy”). In practice, we purchase this energy from a third-party supplier in the market and then re-sell it to Kenergy for resale to the Smelter. If the Smelter agrees to purchase Buy-Through Energy, we will have a firm obligation to supply Buy-Through Energy, subject to limited exceptions.

Market Energy. Apart from all other energy, at the request of a Smelter, Kenergy will use reasonable commercial efforts to purchase separately negotiated additional energy and related services (“Market Energy”) from either us or third-party suppliers. We have no obligation to provide Market Energy to Kenergy for resale to the Smelters but may elect to do so.

Back-Up Energy

Because the Smelter’s receive in each hour energy that meets their actual demand in the hour, the Smelters also purchase and pay for “Back-Up Energy.” Back-Up Energy is, for any hour, energy in excess of Base Monthly Energy and Supplemental Energy. Back-Up Energy is intended to be imbalance energy, that is, energy actually used in excess of the Smelter’s planned usage in any hour. The Smelters are not required to schedule Back-Up Energy, but the Smelters must use reasonable commercial efforts to inform Kenergy and us promptly of any material change in their intended usage of Back-Up Energy.

Smelter Payment Obligations

Base Monthly Energy Charge

The calculation of the charges for Base Monthly Energy contains numerous components. In sum, the charges are intended to result in the Smelters making payments that help us achieve a net margin so that our net margin plus interest expenses divided by interest expenses is 1.24. This ratio is referred to herein as a “TIER”. The charges to reach a TIER of 1.24 are subject to specified limits on the maximum amount payable by the Smelters and certain other adjustments.

Base Energy Charge. The “Base Energy Charge” is the charge for Base Monthly Energy made available to the Smelters. The Base Energy Charge is equal to the Smelter’s Base Demand (368 MW or 482 MW, respectively) per hour, assuming a 98% load factor, multiplied by our tariff rate for sales to our Members for resale to large direct-served industrial customers (the “Large Industrial Rate”) (inclusive of any surcharges, surcredits and rebates, exclusive of certain fuel adjustment charges and environmental surcharges, the Rebate and the Surcharge (each as defined below)), plus an additional amount of \$0.25 per MWh. In addition, the Base Energy Charge includes an adjustment, either positive or negative, for specified variable costs, based on the Smelters’ actual energy curtailments.

Supplemental Energy Charges. The charges for Supplemental Energy are the sum of charges for the Interruptible Energy Charge, the Buy-Through Energy Charge, and the Market Energy Charge, calculated as follows:

1. The “Interruptible Energy Charge” is the product of (a) the quantity of Interruptible Energy metered at the point of delivery during the billing month, and (b) the rate or rates for Interruptible Energy proposed by us and accepted by the Smelter with respect to such billing month;

2. The “Buy-Through Energy Charge” is a “pass-through” amount for our costs to purchase such Buy-Through Energy from a third-party supplier for sale to Kenergy for resale to the applicable Smelter, including any amount paid for transmission and ancillary services and all other charges payable by us in connection with Buy-Through Energy; and
3. The “Market Energy Charge” equals the product of the rate agreed to by the supplier of the energy, which may be but is not necessarily us, and the amount of the Market Energy and any amount paid for transmission and ancillary services.

Back-Up Energy Charges. The rates for Back-Up Energy depend on whether we had to purchase that energy in the market. If so, the rate is 110% of the highest price for energy purchased by and delivered to us during that hour. If the Back-Up Energy was not purchased in the market, then the rate is the greater of the locational marginal price at our interface with Midwest Independent System Operator or our system lambda. If Back-Up Energy exceeds 10 MW in any hour, the rate for the excess over 10 MW is computed differently. If this excess Back-Up Energy is required due to a third-party breaching a contract to supply Market Energy (and thereby reducing the energy supplied to a Smelter), then the rate is 110% of the highest price for energy purchased by or sold by us in that hour. If there is no such contractual breach, then the rate for Back-Up Energy in excess of 10 MW is the higher of \$250 per MWh or 110% of the highest hourly rate for energy purchased or sold by Big Rivers and delivered to an interconnection with our transmission system in such hour.

TIER Adjustment Charge

Prior to each fiscal year, we determine the expected total amount of additional revenue we will need during the fiscal year to achieve a TIER of 1.24, subject to certain limitations (the “TIER Adjustment”). Each Smelter is obligated to pay a pro rata share (calculated based on its Base Demand) of the TIER Adjustment. If one Smelter’s Retail Agreement terminates early, the other Smelter will continue to be obligated to pay only its pro rata share of the TIER Adjustment calculated based on the terminated Smelter’s Base Demand, which is 368 MW for Alcan and 482 MW for Century. Each month, one-twelfth of each Smelter’s share of the estimated TIER Adjustment for such fiscal year is charged to the Smelter as a “TIER Adjustment Charge”. These monthly amounts are further subject to quarterly adjustments based on year-to-date results of operations.

The Smelters’ obligations to pay amounts toward our achieving a TIER of 1.24 are not unlimited. Each Smelter’s obligation with respect to the TIER Adjustment in any fiscal year may not exceed an amount equal to the product of (a) the Smelters’ Based Fixed Energy, for such fiscal year, and (b) the applicable amount set forth below for such year:

<u>Years</u>	<u>Applicable Amount</u>
2009-2011	\$0.00195 per kWh
2012-2014	\$0.00295 per kWh
2015-2017	\$0.00355 per kWh
2018-2020	\$0.00415 per kWh
2021-2023	\$0.00475 per kWh

Assumptions in the TIER Adjustment. We and Kenergy have agreed with the Smelters to make certain assumptions and adjustments in the calculation of the TIER Adjustment. These assumptions and adjustments are intended to limit the Smelters’ obligations in some specified circumstances. Specifically, for purposes of calculating the TIER Adjustment, it will be assumed that:

1. We raise our base rates for service to our Members for their non-Smelter customers by a weighted average of 2.00% in 2010, 2.50% in 2018 and 4.00% in 2021 to the extent we in

fact previously had not increased revenues as a result of rate increases by at least such amount. To date, we have not requested a raise in these base rates.

2. Any entity which becomes a direct-serve customer of a Member after the closing of the Unwind with firm demand in excess of 15 MW paid at least an amount equal to the Smelter Base Rate adjusted for the entity's actual load factor, plus a proportionate share of the TIER Adjustment, if any, and additional amounts relating to the Fuel Adjustment Clause, the Environmental Surcharge, the Purchased Power Adjustment, and the Surcharge. An entity which becomes a direct-serve customer of a Member with a demand of 15 MW or less paid at least an amount equal to the Large Industrial Rate, plus additional amounts relating to the Fuel Adjustment Clause, the Environmental Surcharge, and the Purchased Power Adjustment. This assumption will not be made in the last three years of the term of either Smelter Retail Agreement or following notice of termination of either Smelter Retail Agreement.
3. We will have incurred no expenses that are impermissible for inclusion in rates of electric generation and transmission cooperative utilities subject to the jurisdiction of the KPSC or disallowed by another governmental authority, provided however that a denial by the KPSC or another governmental authority of expense recovery through the Fuel Adjustment Clause or the Environmental Surcharge shall not make such expense impermissible for the purpose of this assumption if the nature of the expense is recoverable in base rates.
4. There are no revenues and expenses associated with our non-regulated businesses.
5. Additional costs related to a change in our depreciation rates may not be included in calculation of the Tier Adjustment unless such changes have been approved, consented to, or accepted by the KPSC, or any other governmental authority if the KPSC no longer has jurisdiction over the change.

In general, these assumptions attempt to ensure that the TIER Adjustment payable by the Smelters is not changed in ways outside the expectations of the parties as a result of known anticipated events.

Other assumptions attempt to net out certain effects of, among other things, (a) patronage capital retirements, (b) interest imputed on debt related to new non-peaking facilities to the extent such new facilities are not included in our revenue requirements for rate-making purposes, (c) interest related to construction-work-in-progress to the extent not included in our revenue requirements for rate-making purposes, (d) possible future indemnification payments under a Smelter Agreement, (e) agreed curtailments, (f) certain penalties, including possible criminal penalties imposed by governmental authorities, (g) penalty interest due to Kenergy or us because of a default by a Smelter, (h) interest on payments made under protest by the Smelters, (i) certain excess reactive demand charges, (j) certain administrative fees paid in connection with certain energy curtailment and resale under a Smelter Agreement.

Rebate. If our TIER in any year exceeds 1.24, as calculated under the Smelter Agreements, then during the next fiscal year we may elect to rebate on a kWh basis a portion of the excess amount, subject to certain limitations, to our Members. Big Rivers has a rider to its tariff to effect this transfer to the Members. Kenergy then would credit to the Smelters a pro rata portion of the amount it received from us on a kWh basis (the "Rebate"). If we do not elect to rebate such excess amount to all our Members, we will still distribute a pro rata portion of the excess to Kenergy for distribution to the Smelters (the "Equity Development Credit"), subject to certain limitations.

Additional Charges

Transmission and Ancillary Services Charge. The Smelters are charged for network transmission service and ancillary services in accordance with our Open Access Transmission Tariff in connection with their purchases of Supplemental Energy..

Variable Charges. The Smelters pay charges under our Fuel Adjustment Clause, and an environmental surcharge (the “Environmental Surcharge”) as though they were large industrial tariff customers of one of our Members. The Smelters also pay a charge relating to a purchased power adjustment (the “Purchased Power Adjustment”) with respect to purchased power costs not recovered under the Fuel Adjustment Clause.

Surcharge. In addition to any other amounts payable under the Smelter Agreements, the Smelters pay a Surcharge, comprised of four separate components. The first component of the Surcharge is a fixed annual payment, in such amount as follows: (1) an aggregate annual payment of \$5,110,000, payable in equal monthly installments through 2011, (2) an aggregate annual payment of \$7,300,000, payable in equal monthly installments from 2012 through and including 2016, and (3) an aggregate annual payment of \$10,182,816, payable in equal monthly installments from 2017 through 2023. The second component is a fixed reduction to the Surcharge of \$86,588 per month for Alcan and \$113,412 per month for Century until July 2017. The third and fourth components of the Surcharge are not fixed dollar amounts. The third component is the product of Base Fixed Energy for the billing month (where “Base Fixed Energy” equals the product of the Base Demand (368 MW or 482 MW, respectively), the number of hours in the billing month, and 0.98) multiplied by \$0.60 per MWh. The fourth component is the product of Base Fixed Energy for the billing month and the number of cents (between zero and 60) per MW per hour that our budgeted annual average fuel costs for coal-fired generation per MWh for the fiscal year exceed the amounts specified in the Smelter Retail Agreements for that fiscal year, subject to a quarterly true-up based on a comparison of actual fuel costs to budgeted fuel costs and an annual true-up to insure that the Smelters do not pay under this fourth component more than 60 cents per MW per hour of Base Fixed Energy for the fiscal year.

Termination Rights

The obligation of Kenergy to supply electric services to the Smelters pursuant to the Smelter Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. If no such early termination occurs, we, and Kenergy are obligated, by no later than January 1, 2023, to undertake good faith negotiations with each other and the applicable Smelter for a replacement agreement.

A Smelter may terminate its Smelter Retail Agreement upon not less than one year’s prior written notice of such termination to Kenergy and us if it’s corporate parent has made a business judgment in good faith to terminate and cease, and has no current intention to re-commence, aluminum smelting operations at the Smelter’s Sebree, Kentucky site, in the case of Alcan, or Hawesville, Kentucky site, in the case of Century. Such a termination by a Smelter cannot be effective prior to December 31, 2010; *provided, that* if one Smelter has given notice of termination to be effective on or after December 31, 2010 and improvements to Big Rivers transmission facilities to permit Big Rivers to transmit all Smelter loads to a delivery point of Big Rivers’ transmission system have not been completed. A notice of termination by the other Smelter may not be effective prior to December 31, 2011. We have no indication that either Smelter plans to file an early termination notice.

Curtailments

There are five specified circumstances under which the Smelters may curtail their receipt of energy from us. In each case, the Smelters remain obligated to pay for the amount of curtailed energy as

though it had been delivered, and receive a credit with respect to the curtailed energy which differs depending on the circumstances of the curtailment.

Surplus Sales. We are required to use reasonable commercial efforts to market amounts of Monthly Energy for Kenergy that a Smelter is obligated to purchase under its Smelter Retail Agreement but which is surplus to such Smelter's needs, with some exceptions. We must credit back to Kenergy, for credit to the applicable Smelter, an amount of net proceeds from such sales which is generally equivalent to the amount of the Smelters' charges otherwise payable with respect thereto.

Undeliverable Energy Sales. If an event occurs that causes damage or destruction to the plant or equipment at a Smelter's facility that limits that Smelter's ability to engage in smelting operations for a period of 48 consecutive hours or longer and the Smelter's demand drops by at least 50 MW (other than as a result of the Smelter's willful or intentional misconduct), the Smelter can request such energy be resold for five or six months ("Undeliverable Energy Sales"). If the Smelter certifies that such condition cannot be remedied with reasonable diligence within six months, such sales may be extended for an additional three months. We must credit back Kenergy, for credit to the Smelter, the net proceeds of the Undeliverable Energy Sales, less an administrative fee of \$0.25 per MWh.

Potline Reduction Sales. A Smelter, upon the ceasing of aluminum smelting operations on one of its potlines (a "Potline Reduction"), may request that Kenergy cause us to sell 115 MW (plus or minus 10 MW) per hour on the open market ("Potline Reduction Sales") if certain other conditions are met. These conditions include among others: (a) such Smelter is reasonably likely to be able to continue aluminum smelting operations with respect to all of its other potlines; (b) such Smelter reasonably estimates the Potline Reduction will equal or exceed 12 months; and (c) no Potline Reduction Sales have been made for a period of twelve consecutive months prior to the date of such notice. We must credit back Kenergy, for credit to the Smelter, the net proceeds of Potline Reduction Sales, less an administrative fee of \$0.25 per MWh.

Economic Sales. Each Smelter may, not more than 12 times in any fiscal year, voluntarily curtail its energy requirements and request that we sell the curtailed energy ("Economic Sales"). Each Economic Sale is subject to our consent, limited to up to 100 MW, and may not be longer than four hours. We must credit back to Kenergy, for credit to the Smelter, 75% of the net proceeds of Economic Sales.

Neither we nor Kenergy have any obligation to market energy as Surplus Sales, Undeliverable Energy Sales, Potline Reduction Sales or Economic Sales until we have sold or chosen not to sell all amounts of its own surplus power, nor do Kenergy or we have any obligation to the Smelters if we are unable to sell this energy as a result of transmission or other constraints.

Other Curtailments. If mutually agreed by a Smelter, Kenergy and us, a Smelter may curtail its energy requirements in an amount and for a period agreed upon by such Smelter, Kenergy and us. Regardless of whether we sell any of such curtailed energy, we must credit back to Kenergy, for credit to the Smelter, an amount equal to the product of (a) the amount of Base Demand per Hour curtailed and (b) the "Market Reference Rate." The Market Reference Rate is the rate (inclusive of all transmission and related charges on any third-party's transmission system) we estimate in good faith we would have paid to purchase energy from a third-party for such amount of curtailed energy to meet our energy delivery obligations under the Smelter Agreements during such period. This curtailment option allows us, if consented to by a Smelter in each instance, to mitigate our exposure to short-term price spikes in the wholesale power markets during periods when we would otherwise need to purchase power from the market to meet our energy delivery obligations under the Smelter Agreements.

Other Matters

Covenants. We are obligated to our Members to operate our system for the benefit of the Members consistent with prudent utility practices. Under the Smelter Agreements we will apply the same standards to operating decisions that may affect the monthly charges to the Smelters. We will not use a Smelter's payment obligation with respect to the Tier Adjustment as the basis for making an operating decision.

Restructuring. Because of the Smelters' obligations relating to the TIER Adjustment, we have agreed that the effects of certain restructuring transactions (a "Restructuring") on the TIER Adjustment will be implemented over an extended period of time. A restructuring will occur if (i) we, any Affiliate of ours or a Member engages in a merger, consolidation or other combination with another entity, or we admit a new member, and such transaction results in a 5% increase in our sales to our Members on a pro forma basis or (ii) we are acquired. We may, however, seek approval of an increase in the Large Industrial Rate which will increase amounts otherwise payable by the Smelters pursuant to the Smelter Base Rate upon the occurrence of a Restructuring. In connection with such a Restructuring, Big Rivers, Kenergy and the Smelters will determine a good faith estimate of the cumulative increase or decrease in the TIER Adjustment that such a Restructuring would cause over the 24 Billing Month period following the date of the effectiveness of the Restructuring (the "Restructuring Amount") and would increase or decrease the Smelters' charges for 48 months by 1/48th of the Restructuring Amount (subject to a lower limit on the overall MWh rate payable by the Smelters). If we, Kenergy and the Smelters are not able to determine a mutually agreeable estimate of the appropriate economic adjustment according to the procedures set forth in the Smelter Retail Agreements, then Kenergy, Alcan, Century, or we may petition to the KPSC to determine the Restructuring Amount.

Budgets. Each year, we must provide the Smelters with a copy of our then-current projected operating and capital budgets for the following fiscal year. This estimated budget may be reviewed by a mutually agreed independent expert if requested by a Smelter who will evaluate the proposed budgeted operating expense and capital expenditures. The Smelters have the opportunity to present the conclusions and recommendations of the independent expert to the Coordinating Committee (defined below) and to our Board of Directors. We have no duty to take any action based on such report. We must also provide the Smelters with notice of certain significant capital expenditures or operating expenses in excess of our budget made during the fiscal year and allow the Smelters to make a presentation to our Board of Directors in some cases.

Coordinating Committee. The Smelter Agreements provide for the establishment of a committee (the "Coordinating Committee"), consisting of representatives of the Members, Alcan, Century, and our management, organized for the purpose of analyzing information relating to our operational and financial performance, including among others, (i) analysis criteria and procedures for evaluating plans and expenditures, (ii) budgets, (iii) fuel procurement or supply, and (iv) actual budget performance and variances.

Large Industrial Rate Service. We have agreed that if a Smelter's Retail Agreement is terminated pursuant to the termination rights with respect to a cessation of all smelting operations at the Smelter's site, the Smelter will be entitled to be served by Kenergy under our Large Industrial Rate for any non-smelting load up to a maximum load of 15MW.

Smelter Credit Support

The U.S. parent of Alcan and the ultimate parent of Century have entered into agreements guaranteeing the payment and performance of Alcan and Century, respectively, to Kenergy and to us of all obligations under the Smelter Coordination Agreements.

Because the parent guarantor of each Smelter does not have an “A+” or higher credit rating, each Smelter is required to provide and maintain credit support in the form of a letter of credit from a bank rated “A+” or higher, or other credit support acceptable to us and Kenergy, in an amount equal to the amounts estimated to be due for a period of two months under that Smelter’s Smelter Retail Agreement and any amount that we estimate reasonably could be due with respect to taxes relating to certain sales of energy on behalf of the Smelters.

Both Smelters have negotiated other credit support acceptable to us and Kenergy. Alcan has pledged its interests in an escrow account. We or Kenergy are permitted to draw amounts from the escrow account at any time to satisfy an overdue Alcan payment obligation up to a specified threshold, initially set at \$23 million. Alcan is prohibited from drawing amounts out of the escrow account if the remaining balance would be less than the specified threshold in effect at any time. Century’s credit support secures Century’s payment obligations to us and Kenergy up to a specified threshold, initially set at \$27 million. Century provided its credit support in three parts: (i) a letter of credit issued by E.ON in the amount of \$7.5 million, (ii) a cash collateral account in the amount of \$7.5 million, and (iii) payments under a swap agreement with E.ON. Under the swap agreement, E.ON pays amounts directly into the lockbox account in which monthly payments under the Smelter Retail Agreement are deposited. The amounts payable by E.ON depend on our cost to produce energy, the sale price for energy not consumed by Century and the amount of aluminum produced by Century. In the event of an early termination of the swap agreement, a termination payment would be directed into the cash collateral account. Both the swap agreement and the letter of credit expire at the end of 2010, and Century is required to provide substitute collateral acceptable to Kenergy and us at that time.

Patronage Capital

Our and Kenergy’s allocation and distribution of patronage capital is controlled by our respective by-laws. The Smelter Agreements restrict Kenergy and us from modifying our respective by-laws in a manner that would be adverse to the Smelters with respect to the distribution of patronage capital. The decision to make any payments with respect to the distribution of patronage capital is in the sole discretion of Kenergy or us, as applicable.

**PROPOSED FORM OF
OPINION OF BOND COUNSEL**

Upon the delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, proposes to render its final approving opinion with respect to such Bonds in substantially the following form:

_____, 2010

Ohio County Fiscal Court
County of Ohio, Kentucky
Hartford, Kentucky

Re: County of Ohio Kentucky
Pollution Control Refunding Revenue Bonds, Series 2010A
(Big Rivers Electric Corporation Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with issuance by the County, of Ohio, Kentucky (the "Issuer") of \$83,300,000 aggregate principal amount of County of Ohio Kentucky Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) (the "Bonds"), issued pursuant to the provisions of the Constitution and laws of the Commonwealth of Kentucky, including Sections 103.200 through 103.285, inclusive, of the Kentucky Revised Statutes, as amended (the "Act"), and pursuant to a Trust Indenture, dated as of June 1, 2010 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as Trustee (the "Trustee"). The Bond Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Big Rivers Electric Corporation ("Big Rivers") pursuant to a Loan Agreement, dated as of June 1, 2010 (the "Financing Agreement"), between the Issuer and Big Rivers. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Indenture.

In such connection, we have reviewed the Bond Indenture, the Financing Agreement, the Big Rivers Indenture, the Note, the Tax Certificate and Agreement, dated the date hereof, between the Issuer and Big Rivers (the "Tax Certificate"), certain resolutions of the Issuer, opinions of counsel to Big Rivers, the Trustee and the Issuer, certificates of the Issuer, the Trustee, Big Rivers and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph of this letter. Furthermore, we have assumed compliance with all covenants and

agreements contained in the Bond Indenture, the Financing Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Indenture, the Financing Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the Commonwealth of Kentucky. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer is a political subdivision and body politic and corporate of the Commonwealth of Kentucky, created and existing pursuant to the Constitution and laws of such Commonwealth.
2. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer.
3. The Bond Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Bond Indenture creates a valid pledge to secure the payment of the principal of and interest on the Bonds (to the extent provided therein). The Bond Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Financing Agreement other than the rights of the Issuer set forth in Sections 5.4 and 9.4 of the Financing Agreement.
4. The Financing Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.
5. All approvals or consents of governmental authorities required to be obtained by the Issuer in connection with the issuance and sale of the Bonds have been obtained.
6. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the Commonwealth of Kentucky or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.
7. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code") and Title XIII of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Further, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.

We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

[This page intentionally left blank]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”), dated as of June 1, 2010, by and between Big Rivers Electric Corporation (“Big Rivers”) and U.S. Bank National Association, as trustee (the “Trustee”) under the Trust Indenture, dated as of June 1, 2010 (the “Indenture”), between the County of Ohio, Kentucky (the “Issuer”) and the Trustee, is executed and delivered in connection with the issuance of the Issuer’s \$83,300,000 principal amount of County of Ohio, Kentucky Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) (the “Bonds”). The proceeds of the sale of the Bonds will be used to refund the entire outstanding principal amount of the Issuer’s Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Rate Securities. In connection therewith, the Issuer and Big Rivers have entered into a Loan Agreement dated as of June 1, 2010 (the “Financing Agreement”), pursuant to which the Issuer has loaned to Big Rivers the aggregate principal amount of the Bonds. Capitalized terms used in this Agreement shall have the meanings given to them in the Indenture; capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified in Article IV hereof.

ARTICLE I
The Undertaking

Section 1.1. Purpose: No Issuer Responsibility or Liability. This Agreement is being executed and delivered solely to assist the Underwriter in complying with paragraph (b)(5) of the Rule. Big Rivers acknowledges that the Issuer has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Agreement, and shall have no liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 1.2. Annual Financial Information.

(a) Big Rivers shall provide Annual Financial Information with respect to each fiscal year, commencing with the fiscal year ending December 31, 2010, by no later than six months after the end of the respective fiscal year to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

(b) Big Rivers shall provide, in a timely manner, notice of any failure of Big Rivers to provide the Annual Financial Information by the date specified in subsection (a) above to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof because Audited Financial Statements are not available, Big Rivers shall provide Audited Financial Statements, when and if available, to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

Section 1.4. Material Events Notices.

(a) If a Material Event occurs, Big Rivers shall provide, in a timely manner, a Material Event Notice to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise Big Rivers and the Issuer whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence which, if material, would require Big Rivers to provide a Material Event Notice hereunder; provided, however, that the failure of the Trustee so to advise Big Rivers or the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture.

Section 1.5. Information. Nothing in this Agreement shall be deemed to prevent Big Rivers from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Agreement. If Big Rivers chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Agreement, Big Rivers shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 1.6. No Previous Non-Compliance. Big Rivers represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if Big Rivers provides Annual Financial Information by specific reference to documents (i) either (1) provided to the MSRB or (2) filed with the SEC, or (ii) if such document is an offering statement provided in connection with a subsequent financing and meeting the definition of “final official statement” as defined in paragraph (f)(3) of the Rule, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in Big Rivers’ sole determination, subject to technical and economic feasibility, Big Rivers shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of Big Rivers’ information and notices. Notwithstanding the foregoing, all documents provided to the MSRB shall be in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 2.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve calendar months. Big Rivers’ current fiscal year is January 1 - December 31, and Big Rivers shall promptly notify (i) the MSRB and (ii) the Issuer, of each change in its fiscal year.

ARTICLE III
Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination.

- (a) This Agreement shall be effective upon issuance of the Bonds.
- (b) If Big Rivers' obligations under the Financing Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Agreement in the same manner as if it were Big Rivers, and thereupon Big Rivers shall have no further responsibility hereunder.
- (c) Big Rivers' obligations under this Agreement shall terminate upon the legal defeasance pursuant to Section VII of the Indenture, prior redemption or payment in full of all of the Bonds.
- (d) This Agreement, or any provision hereof, shall be null and void in the event that Big Rivers delivers to (i) the MSRB, (ii) the Issuer and (iii) the Trustee, an opinion of Counsel, addressed to Big Rivers, the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion.

Section 3.2. Amendment.

- (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4) (ii) in this paragraph), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of Big Rivers or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) Big Rivers shall have delivered to the Trustee an opinion of Counsel, addressed to Big Rivers, the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) Big Rivers shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer or Big Rivers (such as bond counsel or the Trustee) and acceptable to Big Rivers and the Trustee, addressed to Big Rivers, the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to Section 11.03 of the Indenture as in effect on the date of this Agreement, and (5) Big Rivers shall have delivered copies of such opinion(s) and amendment to (i) the MSRB, and (ii) the Issuer.
- (b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) Big Rivers shall have delivered to the Trustee an opinion of Counsel, addressed to Big Rivers, the Issuer and the Trustee, to the effect that performance by Big Rivers under this Agreement as so amended will not result in a violation of the Rule and (3) Big Rivers shall have delivered copies of such opinion and amendment to (i) the MSRB, and (ii) the Issuer.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by Big Rivers in preparing its financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b) The obligations of Big Rivers to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; *provided, however*, that the Trustee shall not be required to take any enforcement action with respect to the Bonds, except at the direction of the Issuer (but the Issuer shall have no obligation to take any such action), or the holders of not less than twenty-five percent in aggregate principal amount of the Bonds at the time Outstanding, who shall have provided the Trustee with security and indemnity determined by the Trustee to be adequate. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of Big Rivers' obligations under this Agreement. In recognition of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by Big Rivers or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture or the Financing Agreement, and the rights and remedies provided by the Indenture or the Financing Agreement, as the case may be, upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; *provided, however*, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) the following financial information and operating data with respect to Big Rivers and the Members, updated on an annual basis (capitalized terms used in this definition of Annual Financial Information and not otherwise defined in this Agreement shall have the meanings set forth in the Offering Statement):

- “BIG RIVERS ELECTRIC CORPORATION – Introduction – General”: the numbers set forth in the second and fourth paragraphs thereof;
- “BIG RIVERS ELECTRIC CORPORATION – Introduction – The Members”: the numbers set forth therein;
- “SELECTED BIG RIVERS’ FINANCIAL DATA”;
- “CAPITALIZATION”;
- “Management’s Discussion and Analysis of Financial Condition and Results of Operations”: all of the information contained therein other than forecasted capital expenditures;
- “QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK – Interest Rate Risk and Commodity Price Risk”: the numbers or percentages set forth;
- “GENERATION AND TRANSMISSION ASSETS – Generating Resources – General”: the table set forth therein;
- “GENERATION AND TRANSMISSION ASSETS – Generating Resources – Kenneth C. Coleman Plant, Robert D. Green Plant, Robert A. Reid Plant, D.B. Wilson Unit No. 1 Plant and Station Two Facility”: the numbers set forth under such captions;
- “GENERATION AND TRANSMISSION ASSETS – Transmission”: the numbers set forth under such caption;
- “APPENDIX B – Member Financial and Statistical Information”: the tables set forth therein;
- “APPENDIX E-1 – SUMMARY OF MORTGAGE INDENTURE – Additional Mortgage Indenture Obligations”: the numbers set forth in the second paragraph thereof;

and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data should explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means (i) the annual financial statements, if any, of Big Rivers, audited by such auditor as shall then be required or permitted by State law or the Indenture and (ii) audited financial statements of each of the Members for the prior fiscal year. Audited Financial

Statements shall be prepared in accordance with GAAP; provided, however, that, pursuant to Section 3.2(a) hereof, Big Rivers or the Members, as the case may be, may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Written notice of any such modification shall be provided by Big Rivers to the Trustee, pursuant to Section 3.2(d) hereof, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) “Business Day” means any day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the State or the state where the principal office of the Trustee is located are authorized or required by law to remain closed.

(4) “Counsel” means Orrick, Herrington & Sutcliffe LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time by the Financial Accounting Standards Board.

(6) “Material Event” means any of the following events with respect to the Bonds, whether relating to Big Rivers or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and
- (xi) rating changes.

(7) “Material Event Notice” means notice of a Material Event.

(8) “Members” means the Members.

(9) “MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

(10) “Offering Statement” means the “final official statement,” as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

(11) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued before or after the effective date of this Agreement which are applicable to this Agreement.

(12) “SEC” means the United States Securities and Exchange Commission.

(13) “State” means the Commonwealth of Kentucky.

(14) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(15) “Underwriter” means Goldman, Sachs & Co.

ARTICLE V
Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article IX of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

BIG RIVERS ELECTRIC CORPORATION

Attest: U.S. BANK NATIONAL
ASSOCIATION, as Trustee

By: _____

[This page intentionally left blank]

[This page intentionally left blank]

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Offering Statement. You must not rely on any unauthorized information or representations. This Offering Statement is an offer to sell only the Bonds offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Offering Statement is current only as of its date.

TABLE OF CONTENTS

SUMMARY FINANCIAL DATA xi
 INTRODUCTION 1
 USE OF PROCEEDS 1
 SECURITY FOR AND SOURCES OF PAYMENT OF
 THE BONDS 1
 RISK FACTORS 2
 COUNTY OF OHIO, KENTUCKY 6
 BIG RIVERS ELECTRIC CORPORATION 7
 SELECTED FINANCIAL DATA 14
 CAPITALIZATION 16
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 OF FINANCIAL CONDITION AND RESULTS OF
 OPERATIONS 17
 RATE AND ENVIRONMENTAL REGULATIONS 31
 QUANTITATIVE AND QUALITATIVE
 DISCLOSURES ABOUT MARKET RISK 42
 OUR MEMBERS 44
 THE SMELTER AGREEMENTS 46
 POWER SUPPLY PLANNING 46
 GENERATION AND TRANSMISSION ASSETS 47
 MANAGEMENT 53
 LITIGATION 56
 DESCRIPTION OF THE BONDS 56
 BOOK-ENTRY-ONLY SYSTEM PROCEDURES 58
 UNDERWRITING 61
 CONTINUING DISCLOSURE 61
 TAX MATTERS 62
 RATINGS 63
 AVAILABLE INFORMATION 63
 APPROVAL OF LEGAL PROCEEDINGS 64
 INDEPENDENT AUDITORS 64
 APPENDIX A – YEAR END FINANCIAL
 STATEMENTS A-1
 APPENDIX B – MEMBER FINANCIAL AND
 STATISTICAL INFORMATION B-1
 APPENDIX C – SUMMARY OF CERTAIN
 PROVISIONS OF THE FINANCING
 AGREEMENT AND THE NOTE C-1
 APPENDIX D – SUMMARY OF CERTAIN
 PROVISIONS OF THE BOND INDENTURE D-1
 APPENDIX E – SUMMARY OF CERTAIN
 PROVISIONS OF THE MORTGAGE
 INDENTURE E-1
 APPENDIX F – SUMMARY OF CERTAIN
 PROVISIONS OF THE SMELTER
 AGREEMENTS F-1
 APPENDIX G – PROPOSED FORM OF OPINION
 OF BOND COUNSEL G-1
 APPENDIX H – CONTINUING DISCLOSURE
 AGREEMENT H-1

\$83,300,000

**COUNTY OF OHIO,
 KENTUCKY**

**POLLUTION CONTROL REFUNDING
 REVENUE BONDS, SERIES 2010A**

**(BIG RIVERS ELECTRIC
 CORPORATION PROJECT)**



Goldman, Sachs & Co.

LOAN AGREEMENT

LOAN AGREEMENT (this "**Agreement**") dated as of October 23, 2017 between BIG RIVERS ELECTRIC CORPORATION (the "**Borrower**"), a cooperative corporation organized and existing under the laws of the Commonwealth 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 wishes to obtain a loan from CFC, and CFC has agreed to make a loan to Borrower on the terms and conditions stated herein; and

WHEREAS, the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the Commitment (as hereinafter defined); and

WHEREAS, CFC intends to sell the Loan (as hereinafter defined), and to sell, transfer, assign and endorse over to the purchaser thereof all of CFC's right, title and interest in and to the Loan, this Agreement and the Note (as hereinafter defined); and

WHEREAS, Borrower acknowledges that CFC intends to sell the Loan immediately upon the funding thereof, and agrees that CFC shall have no obligation to fund the Loan unless CFC is satisfied, in its sole and absolute discretion, that such sale will be consummated simultaneously with such funding; and

WHEREAS, CFC's sale of the Loan is a condition precedent to the funding of the Loan and to the respective obligations of the parties hereto;

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 Definitions. 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). Capitalized terms that are not defined herein shall have the meanings as set forth in the Interest Rate Rider or in the Indenture (as hereinafter defined).

"Accounting Requirements" shall have the meaning set forth in the Indenture.

"Affiliate" shall have the meaning set forth in the Indenture.

"Business Day" shall mean each of the dates as defined on the Interest Rate Rider.

"Closing Date" shall mean the date on which each of the conditions set forth in Article IV and on the Interest Rate Rider has been satisfied and the proceeds of the Loan have been disbursed.

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

"Default Rate" shall mean a rate per annum equal to the interest rate in effect plus two hundred (200) basis points.

"Direct Serve Contracts" shall mean wholesale electric service contracts (together with material amendments or supplements thereto and all successor or replacement contracts and agreements thereto and thereof) with a member of Borrower to provide wholesale electric service directly from Borrower's transmission system to any customer for which the member has an electric service contract with such customer.

"Document Deadline Date" shall mean the date, set forth in Schedule 1, by which CFC must have received all documents, executed by Borrower as applicable, that are required by CFC in order to close the Loan.

"Environmental Laws" shall mean all applicable laws, rules and regulations promulgated by any Governmental Authority with which the 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.

"Environmental Permits" shall mean permits or licenses issued by any Governmental Authority under applicable Environmental Laws.

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

"Governmental Authority" shall mean the government of the United States of America, 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 that is defined and regulated as hazardous or toxic or as a pollutant or contaminant in any applicable Environmental Law.

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

"Interest Charges" shall have the meaning set forth in the Indenture.

"Interest Rate Adder" shall mean an amount of additional interest, expressed in basis points, added to the then prevailing rate of interest on the Loan.

"Interest Rate Rider" shall mean the interest rate terms and additional definitions, terms, conditions and provisions set forth on Exhibit A as applicable to the Loan.

"Lender" shall mean CFC, and for purposes of this Agreement, shall include its agents, representatives, successors, assigns and any subsequent registered holder of the Note.

"Lien" shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any

kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

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

"Loan Documents" shall mean this Agreement, the Note, the Indenture and the Supplemental Indenture, and all other documents or instruments executed, delivered or executed and delivered by Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

"Make-Whole Premium" shall mean, with respect to any Prepaid Principal Amount, an amount calculated as set forth below. The Make-Whole Premium represents the Lender's reinvestment loss resulting from making a fixed rate loan.

(1) Compute the amount of interest ("**Loan Interest**") that would have been due on the Prepaid Principal Amount at the applicable Fixed Rate for the period from the prepayment date through the end of the Fixed Rate Term (such period is hereinafter referred to as the "**Remaining Term**"), calculated on the basis of a 30-day month/360-day year, adjusted to include any amortization of principal in accordance with the amortization schedule that would have been in effect for the Prepaid Principal Amount.

(2) Compute the amount of interest ("**Investment Interest**") that would be earned on the Prepaid Principal Amount (adjusted to include any applicable amortization) if invested in a United States Treasury Note with a term equivalent to the Remaining Term, calculated on the basis of a 30-day month/360-day year. The yield used to determine the amount of Investment Interest shall be based upon United States Treasury Note yields as reported no more than two Business Days prior to the prepayment date in Federal Reserve statistical release H.15 (519), under the caption "U.S. Government Securities/Treasury Constant Maturities". If there is no such United States Treasury Note under said caption with a term equivalent to the Remaining Term, then the yield shall be determined by interpolating between the terms of whole years nearest to the Remaining Term.

(3) Subtract the amount of Investment Interest from the amount of Loan Interest. If the difference is zero or less, then the Make-Whole Premium is zero. If the difference is greater than zero, then the Make-Whole Premium is a sum equal to the present value of the difference, applying as the present value discount a rate equal to the yield utilized to determine Investment Interest.

"Margins for Interest" shall have the meaning set forth in the Indenture.

"Margins for Interest Ratio" means, for any period, (i) the sum of (a) Margins for Interest plus (b) Interest Charges, divided by (ii) Interest Charges.

"Material Adverse Effect" shall mean an effect on the operations, business, assets, liabilities (actual or contingent) or condition (financial or otherwise) of the Borrower or its Subsidiaries, taken as a whole, the result of which would, or would reasonably be expected to, materially adversely affect (a) the ability of the Borrower to repay the Loan or perform any of its other obligations under this Agreement, the Note or the Indenture, or (b) the validity or

enforceability of this Agreement, the Note or the Indenture or (c) the rights or benefits available to Lender under this Agreement or any of the other Loan Documents.

"Material Direct Serve Contracts" shall mean any Direct Serve Contract to (i) any smelter to which a member of the Borrower supplies power, and (ii) any customer with a contract load of 25 megawatts or greater.

"Maturity Date" shall mean the date set forth in Schedule 1.

"Member Wholesale Power Contracts" shall mean the Borrower's power supply contracts with its members (together with material amendments and supplements thereto) and all successor or replacement contracts and agreements thereto or thereof, excluding the Direct Serve Contracts.

"Note" shall mean a secured promissory note, dated as of even date herewith, in a principal amount equal to the amount of the Commitment, executed by Borrower and made payable to the Lender or its registered assigns, as it may be amended, restated or substituted from time to time.

"Payment Date" shall mean each of the dates as defined on the Interest Rate Rider.

"Payment Notice" shall mean a notice furnished by or on behalf of Lender to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due under this Agreement and the Note.

"Prepaid Principal Amount" shall mean all or any part of the outstanding principal of the Loan with a Fixed Rate (other than the one-year Fixed Rate) paid prior to the expiration of the Fixed Rate Term.

"Repurchase Rate" shall mean the rate of interest established by CFC for variable interest rate long-term loans pursuant to the long-term loan programs established by CFC from time to time, as in effect on the date that CFC repurchases or otherwise reacquires the Loan.

"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 Person performing such duties at such time.

"Supplemental Indenture" shall mean that certain Seventh Supplemental Indenture between Borrower, as grantor, and U.S. Bank National Association, as trustee, dated as of October 9, 2017.

"Subsidiary" shall have the meaning set forth in the Indenture.

"Treasury Note" shall mean a U.S. Dollar-denominated senior debt security of the United States of America issued by the U.S. Treasury Department and backed by the full faith and credit of the United States of America.

"Trust Estate" shall have the meaning set forth in the Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01 Closing Date Representations and Warranties. The Borrower represents and warrants to Lender that as of the date of this Agreement and the Closing Date:

A. Litigation. Except as set forth in Schedule 2.01A, there are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its properties which, if adversely determined, either individually or collectively, would reasonably be expected to have a Material Adverse Effect. The Borrower is not, to its knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would reasonably be expected to have a Material Adverse Effect.

B. Financial Statements. The balance sheet of the Borrower as at the date identified in Schedule 1, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower as at the date identified in Schedule 1, all heretofore furnished to Lender, fairly present, in all material respects, the financial condition of the Borrower as at said dates and fairly reflect its operations for the periods ending on said dates except in the case of the interim financial statements which are absent notes and are subject to changes resulting from normal year-end audit adjustments. There has been no change in the financial condition or operations of the Borrower from that set forth in said financial statements that would reasonably be expected to have a Material Adverse Effect.

C. Disclosure. To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement listed on Schedule 2.01C (all such documents, certificates and financial statements to be taken as a whole) as of the date of delivery thereof, and in the light of the circumstances under which they were made, 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 materially misleading, provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

D. Environmental Matters. Except as to matters which individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect, (i) the Borrower is in substantial compliance with all applicable Environmental Laws (including, but not limited to, having any required Environmental Permits), (ii) to Borrower's knowledge, there have been no releases (other than releases remediated in substantial compliance with applicable Environmental Laws and air emissions) from any underground or aboveground storage tanks (or piping associated therewith) that are present on the Trust Estate, (iii) the Borrower has not received written notice or claim of any violation of any Environmental Law from a Governmental Authority and failed to take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter in order to comply with any Environmental Law that is the subject of such written notice or claim, (iv) to the best of the Borrower's knowledge, there is no pending investigation of the Borrower in regard to any Environmental Law, and (v) to the best of the Borrower's knowledge, there has not been any unauthorized release (other than releases remediated in compliance with Environmental Laws) that has resulted in the presence of Hazardous Materials on property owned, leased or operated by the Borrower for which the Borrower could reasonably be held responsible for mitigation under any Environmental Law.

E. Good Standing. The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, and, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, 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 (i) a power supply system member in good standing of CFC and (ii) eligible or was eligible to borrow from RUS.

F. 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.

G. Authority; Validity. The Borrower has the power and authority to enter into this Agreement, the Note, the Indenture and the Supplemental Indenture; 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, in the Note and in the Indenture, 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, the Note, the Indenture and the Supplemental Indenture 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.

H. No Conflicting Agreements. The execution and delivery of the Loan Documents and performance by the Borrower of the obligations hereunder and thereunder, and the transactions contemplated hereby or thereby, will not: (i) in any material respect, violate any provision of law, any order, rule or regulation of any Governmental Authority, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, the Indenture or any material 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, the Indenture or any such contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated by the Indenture) upon any material assets of the Borrower, in each case where such violation or conflict of which would reasonably be expected to have a Material Adverse Effect.

I. Taxes. The Borrower 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 (i) for such taxes, assessments, and governmental charges and levies which the Borrower is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside, if such reserves are required by Accounting Requirements, or (ii) to the extent the failure to do so would not reasonably be expected to have a Material Adverse Effect.

J. 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, except for failures to obtain or hold such items as would not reasonably be expected to have a Material Adverse Effect.

K. Required Approvals. The Borrower has obtained all licenses, consents or approvals of all Governmental Authorities that the Borrower is required to obtain in order for the Borrower to enter into and perform under this Agreement, the Note and the Supplemental Indenture. Each such certificate, authorization, consent, permit, license and approval is in full force and effect.

L. Compliance with Laws. To the best of the Borrower's knowledge, the Borrower is in compliance with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority, except for any such failures of compliance as would not reasonably be expected to have a Material Adverse Effect.

M. No Other Liens; Prior Liens. As to the Trust Estate, the Borrower has not, without the prior written approval of Lender, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed, other than as provided for under the Indenture or as permitted by the Indenture, including Permitted Exceptions as permitted by the Indenture. The Indenture creates a first priority lien on the Trust Estate in favor of all Holders of Obligations issued thereunder, subject to no Prior Lien except as permitted by the Indenture.

N. Borrower's Legal Status. Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

O. Use of Proceeds. The Borrower will use the proceeds of the Note solely for the purposes identified in Schedule 1 hereto.

P. Member Wholesale Power Contracts and Material Direct Serve Contracts. The Borrower has heretofore delivered to CFC complete and correct copies of the Member Wholesale Power Contracts and Material Direct Serve Contracts in effect on the date hereof. Identified on Schedule 2.01P are the Member Wholesale Power Contracts and the Material Direct Serve Contracts in effect as of the Closing Date. To the best of the Borrower's knowledge, after due inquiry, there is no condition or circumstance that would impair any member's ability to perform its obligations under any Member Wholesale Power Contract or Material Direct Serve Contract to which it is a party. The Member Wholesale Power Contracts and Direct Serve Contracts are legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with their respective terms.

Q. Material Financial Obligations. Borrower is not (i) in payment default under any obligation, whether direct or contingent, for money borrowed in excess of \$10,000,000, or (ii) otherwise in default thereunder, the effect of which would reasonably be expected to have a Material Adverse Effect.

R. Defaults. No Event of Default (as defined in the Indenture) has occurred and is continuing under the Indenture, and no event has occurred which, with the passage of time or with the giving of notice and the expiration of any grace or cure period, would constitute such an Event of Default.

S. Costs, Refunds. All costs, fees and expenses incurred in making or closing the Loan and the recording of the Supplemental Indenture have been paid, and Borrower is not entitled to, and has made no claim of, any refund of any amounts paid to Lender pursuant to any Note or the Indenture.

T. Defenses. The Note and this Agreement are not subject to any rights of rescission, set-off, counterclaim, or defense, including the defense of usury, and Borrower has not asserted, and does not assert, any such right of rescission, set-off, counterclaim or defense.

U. Nuclear Investment. Borrower has not acquired, or committed to acquire, an ownership interest in any nuclear energy generating facility built or planned to be built after January 1, 2010.

ARTICLE III

THE LOAN

Section 3.01 Payment. The Loan shall amortize on a level principal basis, based on a ten (10) year amortization period commencing on the Closing Date with a final balloon payment on the Maturity Date, as set forth on Schedule 3.01 attached hereto. On each Payment Date, Borrower shall promptly pay interest and/or principal in the amounts shown in the Payment Notice absent manifest error. 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.

Section 3.02 Interest Rate.

A. Interest Rate. The interest rate on the Loan and the effective date thereof shall be as stated on the Interest Rate Rider, *provided, however*, that the first effective date thereof for the Note identified in Section 5 of Schedule 1 shall be the Closing Date.

B. Default Rate. Notwithstanding anything to the contrary in this Agreement, 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, the Loan shall bear interest at the Default Rate.

C. Repurchase Rate. Notwithstanding anything to the contrary in this Agreement, if CFC repurchases or otherwise reacquires the Loan pursuant to the terms of the loan sale agreement under which CFC sold the Loan, then beginning on the closing date of such repurchase or reacquisition and continuing through the Maturity Date, the Loan shall accrue interest at the Repurchase Rate.

Section 3.03 Payments

A. Timing; Manner of Payment. Accrued interest on the Loan shall be payable in arrears on each Payment Date, provided, that in the event of any repayment or prepayment of

any principal amount, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment. If not sooner paid (whether by optional prepayment, mandatory prepayment, acceleration or otherwise), all amounts due on the Loan on account of unpaid principal, interest accrued thereon and fees, if any, are due and payable on the Maturity Date. The Borrower shall authorize Lender to debit its bank account(s) for periodic loan payments through an Automated Clearing House ("ACH") service whereby payments on this Loan will be similarly debited unless otherwise instructed by Borrower pursuant to the terms of its ACH authorization.

B. Late Fees. If payment of any amount due hereunder is not received by Lender within five (5) Business Days after the due date thereof, then Borrower will pay to Lender, in addition to all other amounts due under the terms of the Loan Documents, a late payment charge equal to 1.0% of the payment due.

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

D. Optional Prepayment. Borrower may at any time, on not less than thirty (30) days prior written notice to Lender, prepay the Loan, in whole or in part, together with the interest accrued to the date of prepayment, and any applicable fees, payments or premiums provided for herein. In the event the Borrower prepays all or any part of the Loan (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), the Borrower shall pay any prepayment fee and/or Make-Whole Premium as the Lender may prescribe pursuant to the terms of this Section 3.03.D. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of and to the date of the repayment.

If, at any time other than at the end of the Interest Rate Term, the Borrower prepays any Prepaid Principal Amount, then the Borrower shall compensate Lender for the loss, cost and expense attributable to such event in the amount of the Make-Whole Premium. Lender's determination of the Make-Whole Premium due from the Borrower hereunder shall be conclusive absent manifest error. The Borrower shall pay the Make-Whole Premium within 10 days after receipt of an invoice relating thereto.

If, at any time other than at the end of an Interest Rate Term, the Borrower prepays any principal amount of a Loan with the LIBOR Rate or a one-year Fixed Rate, then the Borrower shall compensate Lender for the loss, cost and expense attributable to such event, including, but not limited to payment of any interest until the end of the current Interest Rate Term. Lender's determination of such amount due from the Borrower hereunder shall be conclusive absent manifest error. The Borrower shall pay such amount within 10 days after receipt of an invoice relating thereto.

Section 3.04 Miscellaneous Loan Terms

A. No Further Advances. Upon full disbursement of the proceeds of the Loan on the Closing Date, Lender shall have no further obligation to advance any additional funds hereunder.

B. Non-revolving Facility. The Loan is not a revolving credit facility. Any amount of Loan principal repaid by Borrower may not be re-borrowed.

C. Patronage Capital; Interest Rate Discounts. No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan, notwithstanding any CFC policies or practices in effect from time to time with respect to the allocation of patronage capital, or the offering of interest rate discounts, on other loans originated by CFC.

D. Calculations. Lender's calculation of the amount of interest due, any fees or premiums provided for herein, and all other amounts due from Borrower under this Agreement shall be conclusive absent manifest error.

E. Failure to Advance. Borrower acknowledges that Lender is entering into certain financial commitments with third parties that are premised upon the sale of the Loan. Therefore, Borrower agrees that if Borrower does not meet the conditions for funding that are contained in this Agreement for any reason, or if Borrower fails to advance the full amount of the Loan, then Borrower shall reimburse Lender its actual cost (including all fees, expenses and commissions) that Lender is required to pay to third parties for early termination of such financial commitments and/or substituting loans, cash or other assets in order to consummate the sale of the loans.

ARTICLE IV

CONDITIONS

Section 4.01 Conditions of Closing. CFC's obligation to make the Loan hereunder is subject to the 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 reasonably satisfactory to counsel for CFC pursuant to the terms of the loan sale agreement under which CFC sold the Loan, and, as to all matters of local law, to such local counsel as counsel for CFC may retain. CFC's execution of this Agreement shall evidence satisfaction of this condition.

B. Documents. On or before the Document Deadline Date, 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 reasonably 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. CFC's execution of this Agreement shall evidence satisfaction of this condition.

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 (if any) that are necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations hereunder or thereunder. No certificate, authorization, consent, permit, license or approval of any Governmental Authority that is required to enable the Borrower to (a) enter into the Loan Documents, (b) perform all of the obligations provided for in such documents, shall have been invalidated, rescinded, stayed or determined to be invalid in any material respect by any Governmental Authority.

D. Indenture; Supplemental Indenture; UCC Filings. The Indenture and the Supplemental Indenture shall have been duly filed, recorded or indexed in all jurisdictions necessary to provide the Trustee thereunder a perfected lien, subject to Permitted Exceptions,

on all of the Trust Estate, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC. Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide the Trustee a perfected security interest, subject to Permitted Exceptions, in the Trust Estate which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

E. Representations and Warranties. The representations and warranties of the Borrower set forth in Section 2.01 shall be true and correct on the Closing Date.

F. Defaults. No event or condition has occurred that constitutes an Event of Default, or which upon notice hereunder, lapse of time hereunder or both would, unless cured or waived, become an Event of Default.

G. Material Adverse Effect. No event or condition has occurred that would result in a Material Adverse Effect.

H. Note Authentication. The Note shall have been duly authenticated by the Trustee as an Obligation secured under the Indenture.

I. Member Wholesale Power Contract Amendments; Material Direct Serve Contracts. CFC shall have received true and correct copies of the Member Wholesale Power Contracts and Material Direct Serve Contracts listed on Schedule 2.01P, including any and all material amendments, supplements or modifications thereto, certified by a senior authorized representative of Borrower (e.g., president, vice-president, general manager, chief financial officer or persons that hold equivalent titles).

J. ACH Requirement. Borrower shall have in effect an authorization to make payments on the Loan through the Lender's automated debiting system.

K. Advance Authorization. Borrower shall have executed and delivered to CFC an authorization and certificate in such form as CFC shall provide to Borrower, (i) certifying that Borrower has met all of the conditions under the Loan Documents that Borrower is required to meet prior to the disbursement of the Loan proceeds, and (ii) irrevocably authorizing and directing CFC to disburse the proceeds of the Loan.

L. Other Information. The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) additional information regarding the use of the Loan, (ii) cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Loan requested, the Borrower shall continue to achieve the Margins for Interest 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 (iii) any other information as CFC may reasonably request.

M. CFC Expenses. The obligation of CFC to extend credit pursuant to the terms hereof is subject to the payment by the Borrower of the reasonable out-of-pocket fees and

expenses incurred by CFC in connection with the (i) underwriting of the facilities described herein, and (ii) the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents (including, without limitation, any engineering and legal expenses associated with the Loan).

N. Closing Date; Sale of Loan as Condition Precedent. CFC hereby advises Borrower of its intent to sell the Loan, and to sell, transfer, assign and endorse over to the purchaser thereof all of CFC's right, title and interest in and to the Loan, this Agreement and the Note, including but not limited to all of CFC's rights and obligations under the Loan Documents, *provided, however,* that CFC's rights and obligations under the Indenture shall be transferred only and to the extent that such rights and obligations pertain to the Loan. **IT IS AN EXPRESS CONDITION PRECEDENT TO THE FUNDING OF THE LOAN AND TO THE PARTIES' RESPECTIVE OBLIGATIONS HEREUNDER THAT CFC HAS RECEIVED A COMMITMENT FROM A PURCHASER TO PURCHASE THE LOAN UPON SUCH TERMS, CONDITIONS AND PROVISIONS AS CFC DEEMS ACCEPTABLE IN ITS SOLE AND ABSOLUTE DISCRETION, AND THAT CFC IS SATISFIED, IN ITS SOLE AND ABSOLUTE DISCRETION, THAT SUCH SALE WILL BE CONSUMMATED SIMULTANEOUSLY WITH SUCH FUNDING.** If the foregoing condition precedent is met, then CFC shall disburse the proceeds of the Loan and advise Borrower of the closing date of such sale, which date shall be the Closing Date of the Loan. If the foregoing condition precedent is not met in CFC's sole and absolute discretion, then CFC shall so notify Borrower and this Agreement shall be deemed automatically terminated as of the date of such notification without further action or obligation of either party hereto, and with no liability to either party arising out of or in connection with such termination. Notwithstanding anything to the contrary in this Section 4.01.N, CFC may waive the condition precedent set forth in this Section 4.01.N. in its sole and absolute discretion by written notification to Borrower.

ARTICLE V

COVENANTS

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

A. Margins for Interest Ratio. The Borrower shall comply, in all respects, with the Margin for Interest Ratio covenant set forth in Section 13.14 of the Indenture.

B. Annual Certificates. Within one hundred twenty (120) days after the close of each fiscal year, commencing with the year in which this Agreement is effective, the Borrower will deliver to Lender a written statement, in form and substance satisfactory to Lender, either (a) signed by the Borrower's President and Chief Executive Officer (or equivalent chief executive officer) or (b) submitted electronically through means made available to the Borrower by Lender, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations in all material respects under this Agreement, the Note and the Indenture 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.

C. Financial Books; Financial Reports; Right of Inspection.

(i) Within one hundred twenty (120) days after the end of each fiscal year of the Borrower, the Borrower shall provide to Lender the audited consolidated balance sheets and related statements of operations, statement of equities and statement of cash flows of the Borrower and its Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, reported on by independent public accountants (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Subsidiaries on a consolidated basis in accordance with the Accounting Requirements.

(ii) Within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the Borrower shall provide to Lender the unaudited consolidated balance sheets, an income statement, cash flow analysis and related statements of operations, and such other interim statements as may reasonably be requested, of the Borrower and its Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year, which shall present fairly in all material respects the financial condition and results of operations of the Borrower and its Subsidiaries on a consolidated basis in accordance with the Accounting Requirements, other than the absence of notes and subject to changes resulting from audit and normal year-end audit adjustments.

(iii) Within one hundred twenty (120) days after the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to Lender a statement, setting forth in reasonable detail its calculation of its Margins for Interest Ratio for the prior fiscal year and two prior fiscal years, signed either by its President and Chief Executive Officer (or equivalent chief executive officer), its Vice President and Chief Financial Officer (or equivalent chief financial officer), or such other officer that reports directly or indirectly to its Vice President and Chief Financial Officer (or equivalent chief financial officer).

(iv) Within thirty (30) days after (a) the end of each the Borrower's fiscal years during the term hereof or (b) Lender's request, the Borrower shall furnish to Lender updated cash flow projections for the succeeding fiscal year, which projections shall be in form and substance reasonably satisfactory to Lender and certified by the Borrower's Vice President and Chief Financial Officer (or equivalent chief financial officer) or another duly authorized executive officer of the Borrower.

(v) The Borrower shall provide, within fifteen (15) days after the same may come available, copies of the Borrower's budgets and financial plans approved by the Borrower's Board of Directors.

(vi) The Borrower will keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the Obligations and the plant, properties, business and affairs of the Borrower in accordance with Accounting Requirements. The Borrower will, upon reasonable written notice by Lender to the Borrower and at the expense of the Borrower, permit Lender, by its representatives, to inspect the plants and properties, books of account, records, reports and other papers of the Borrower, and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any

such inspection, and the Borrower will furnish to Lender any and all information as Lender may reasonably request, with respect to the performance by the Borrower of its covenants in this Agreement; provided, however, the Borrower shall not be required to make available any information supplied to it by a third party which is subject to a confidentiality agreement with such third party except to the extent allowed by, and subject to the terms of such confidentiality agreement.

D. Interest Rate Elections. The Borrower agrees (i) that Lender may rely conclusively upon the interest rate option, interest rate term and other written instructions submitted to Lender, and (ii) that such instructions shall constitute a covenant under this Agreement to repay the Loan in accordance with such instructions, the Note, the Indenture and this Agreement.

E. Compliance with Laws. The Borrower shall remain in compliance with all applicable requirements of law and applicable rules and regulations of each Governmental Authority, except for any such failures of compliance as would not reasonably be expected to have a Material Adverse Effect or as provided in Section 5.01.H.

F. 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 (i) for such taxes, assessments, and governmental charges and levies which the Borrower is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside, if such reserves are required by Accounting Requirements, or (ii) to the extent the failure to do so would not reasonably be expected to have a Material Adverse Effect.

G. Further Assurances. The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which Lender may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created by the Indenture. The Borrower also agrees to provide to Lender, from time to time upon request, evidence reasonably satisfactory to Lender as to the perfection and priority, or continued perfection and priority, of the Liens preserved, created or intended to be created by the Indenture.

H. Notices of Environmental Actions. If Borrower receives any written communication from a Governmental Authority alleging Borrower's material violation of any Environmental Law, then Borrower shall provide Lender with a copy thereof within thirty (30) days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter in order to comply with any Environmental Law that is the subject of such written communication, except such notices of violations which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

I. Accounting Requirements. For purposes of determining any computation made under this Agreement, and notwithstanding Section 1.1D of the Indenture, the Borrower shall only apply those Accounting Requirements in use in the United States at the time of the determination of such computation.

J. Use of Proceeds; RUS. The Borrower shall use the proceeds of the Note solely for the purposes identified in Schedule 1 hereto. Borrower agrees to provide, within two (2) Business Days of the Closing Date (as such date may be extended by CFC in writing in its sole discretion), evidence satisfactory to CFC that the proceeds of the Note have been applied in accordance with this Section 5.01.J and Schedule 1 in the form of an acknowledgement letter from RUS.

K. [Reserved].

L. Default Notices. The Borrower shall provide Lender any notice delivered by the Borrower to the Trustee pursuant to Section 13.12 of the Indenture promptly after delivering such notice to the Trustee.

M. Notice; Member Wholesale Power Contracts and Direct Serve Contracts. The Borrower will furnish to Lender prompt written notice of the following:

(i) any permitted termination of, modification to or supplement to a Member Wholesale Power Contract that will result in a material change thereto;

(ii) any (a) permanent shutdown or material curtailment of the operations of any Borrower member retail customer for which wholesale service is provided under a Direct Serve Contract, (b) material modification to a Direct Serve Contract, and (c) termination of any Direct Serve Contract.

N. Compliance with Indenture Covenants. Borrower shall comply with all the covenants identified in Article XI and Article XIII of the Indenture.

O. New Member Wholesale Power Contract; New Material Direct Serve Contracts. Borrower shall provide Lender with copies of any new Member Wholesale Power Contract and new Material Direct Serve Contracts (together with material amendments or supplements thereto and all successor or replacement contracts and agreements thereto and thereof) entered into after the Closing Date.

P. Other Notices. The Borrower shall promptly notify Lender in writing of:

(i) the institution of any litigation or administrative proceeding to which Borrower is a party and which would have a Material Adverse Effect;

(ii) the receipt of any notice alleging (a) a payment default under any obligation, whether direct or contingent, for money borrowed in excess of \$10,000,000.00, or (b) a default under any agreement or instrument to which it is a party or by which it is bound, the effect of which would reasonably be expected to have a Material Adverse Effect; and

(iii) any change in Borrower's corporate structure, including by merger, acquisition or consolidation.

Section 5.02 Negative Covenants. The Borrower covenants and agrees with Lender 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 Lender's prior written consent, cause any violations of the following covenants:

A. Limitations on Liens. The Borrower will not create or incur or suffer or permit to be created or incurred or to exist any mortgage, lien, charge or encumbrance on or pledge of any of the Trust Estate prior to or upon a parity with the lien of the Indenture except for Permitted Exceptions and those exceptions set forth in Section 13.6 A. and 13.6 B. of the Indenture.

B. Limitations on Mergers. The Borrower shall not consolidate with or merge into any other Person or convey or transfer the Trust Estate substantially as an entirety to any Person, except as may be permitted pursuant to the terms and provisions of Section 11.1 of the Indenture.

C. No Change in Fiscal Year. The Borrower will not change its fiscal year from the fiscal year existing on the Closing Date without the prior written consent of Lender, not to be unreasonably withheld.

D. Member Wholesale Power Contracts. The Borrower will not, and will not consent to, the termination of any one or more Member Wholesale Power Contracts that, individually or in the aggregate, represent 20% or more of the Borrower's revenue base (other than at the end of the contract term or a voluntary termination provided by the contract terms).

ARTICLE VI

EVENTS OF DEFAULT

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

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

B. Financial Reports. The Borrower shall fail to provide the financial reports required by Section 5.01.C within the time period specified therein;

C. Margins for Interest Ratio. The Borrower shall fail to comply with Section 13.14 of the Indenture;

D. Representations and Warranties. Any representation or warranty made by the Borrower herein shall prove to be false or misleading in any material respect at the time made if such false or misleading representation or warranty is, in Lender's reasonable judgment, one that a prudent lender would consider material to its decision to extend credit;

E. Other Covenants. (i) Default by the Borrower in the observance or performance of the covenant contained in Section 5.01.J of this Agreement, or (ii) default by the Borrower in the observance or performance of any other covenant contained in this Agreement, other than those specifically identified in this Section 6.01 and in Section 5.02, which shall continue for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by Lender; *provided, however*, that if the default cannot be cured within such thirty (30) day period despite the Borrower's good faith and diligent efforts to do so, the cure period shall be extended as is reasonably necessary beyond such thirty (30) day period (but in no event longer than sixty

(60) days) if remedial action likely to result in a cure is promptly instituted within such thirty (30) day period and is thereafter diligently pursued until the default is corrected;

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

G. Negative Covenants. The Borrower shall fail to comply with Section 5.02 of this Agreement; or

H. Indenture Obligations. An "Event of Default," as defined in the Indenture, shall have occurred and be continuing, provided such "Event of Default" has not been waived or cured as provided for under the terms of the Indenture.

ARTICLE VII

REMEDIES

Section 7.01 General Remedies. If any of the Events of Default listed in Article VI hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein (if any), then Lender may:

- (i) exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by Lender 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. The rights of Lender under this Section 7.01 are in addition to any other rights and remedies (including other rights of setoff or recoupment) which Lender may have. The Borrower waives all rights of setoff, rescission, counterclaim, deduction or recoupment;
- (ii) pursue all rights and remedies available to Lender that are contemplated by the Indenture in the manner, upon the conditions, and with the effect provided in the Indenture, including, but not limited to, a suit for specific performance, injunctive relief or damages; and
- (iii) pursue any other rights and remedies available to Lender at law or in equity.

Section 7.02 Interest Rate Adder. In addition to the remedies set forth in Section 7.01, upon the occurrence of an Event of Default, an Interest Rate Adder of two hundred (200) basis points shall be imposed on the outstanding principal amount of the Loan until such Event of Default is cured. The effective date of an Interest Rate Adder imposed or eliminated pursuant to this Section 7.02 shall be the first (1st) day of month following the occurrence of the Event of Default or the cure thereof, as applicable.

Section 7.03 Concurrent Remedies. Nothing herein shall limit the right of Lender to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of Lender 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
20701 Cooperative Way
Dulles, Virginia 20166
Attention: General Counsel
Fax # 866-230-5635

The Borrower:

The address set forth in
Schedule 1

Section 8.02 Expenses. The Borrower shall reimburse Lender for any reasonable costs and out-of-pocket expenses paid or incurred by Lender (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions Lender takes, (a) to enforce the payment of any amount required to be paid hereunder, to effect collection of any Trust Estate, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on the Lien of the Indenture on any of the Trust Estate, whether through judicial proceedings or otherwise, (c) to restructure the Loan, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, and (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by Lender 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 [Reserved].

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 Lender (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Supplemental Indenture and UCC Financing Statements, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify Lender from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by Lender in connection with this Agreement, the Note or the Indenture. The provisions of this Section shall survive the execution and delivery of this Agreement, the Note and the Indenture and the payment of all other amounts due under the Loan Documents.

Section 8.06 Waiver; Modification. No failure on the part of Lender 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 Lender 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 Notes or the other Loan Documents (except as otherwise provided in the Indenture) 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 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 LENDER 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 LENDER 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, THE TRUST ESTATE, 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 FROM, AND TO THE EXTENT OF, THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LENDER OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTES, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE INDENTURE.

Section 8.09 Complete Agreement. This Agreement, together with the schedules and exhibits 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 (other than the Indenture), 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, the Note and the Indenture shall survive the execution and delivery to Lender of the Loan Documents and the making of the Loan 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, the Note and the Indenture shall inure to the benefit of the successors and assigns of Lender. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of Lender, except as provided in Section 5.02.B 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 Lender (even if executed prior to the Closing Date) and thereafter shall be binding upon and inure to the benefit of the Borrower and Lender and their respective successors and assigns as provided in Section 8.10. Upon execution of this Agreement by both parties, Borrower shall be obligated to advance the Loan in full and cannot rescind its commitment to do so for any reason whatsoever.

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.

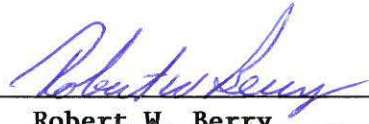
Section 8.16 Schedules; Exhibits. All Schedules and Exhibits are integral parts of this Agreement.

Section 8.17 Assignment. Without the prior written consent of Borrower, Lender may sell, transfer, assign and endorse over to one or more purchasers, transferees or assignees all or portion of its right, title and interest in and to the Loan, the Note, this Agreement and the Indenture.

[SIGNATURES ON FOLLOWING PAGE]

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

BIG RIVERS ELECTRIC CORPORATION

By: 
Name: Robert W. Berry
Title: President and CEO

**NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION**

By: _____
Assistant Secretary-Treasurer


Attest: _____
Assistant Secretary-Treasurer

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

BIG RIVERS ELECTRIC CORPORATION

By: _____
Name: Robert W. Berry
Title: President and Chief Executive Officer

**NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION**

By:  _____ **PAULA Z. KRAMP**
Assistant Secretary-Treasurer

Attest:  _____ **Ann Shankroff**
Assistant Secretary-Treasurer

SCHEDULE 1

1. The Borrower shall use the proceeds of the Loan as referred to in the first Recital to refinance \$15,000,000.00 of RUS indebtedness evidenced by the RUS 2009 Promissory Note Series A dated July 16, 2009. Borrower shall, upon receipt of the advance of the Loan, immediately prepay a portion of the unpaid balance of the RUS 2009 Promissory Note Series A dated July 16, 2009 with the proceeds of the Loan.
2. The "Document Deadline Date" is the morning of October 23, 2017.
3. The aggregate Commitment is \$15,000,000.00.
4. The Indenture referred to in Section 1.01 is that certain Indenture between Big Rivers Electric Corporation, as grantor, and U.S. Bank National Association, as trustee, date as of July 1, 2009, as supplemented, amended, consolidated, or restated from time to time.
5. The Note subject to this Agreement is:

NOTE AMOUNT	LOAN NUMBER
\$15,000,000.00	KY062-LUM-3000-FMD001(9006)

6. The Maturity Date shall mean the date that is three (3) years from the date of the Note.
7. The date of the interim financial statements referred to in Section 2.01B is 6/30/2017.
8. The Subsidiaries of the Borrower referred to in Section 2.01.F are: N/A.
9. The date of the Borrower's balance sheet referred to in Section 2.01.B is 12/31/2016.
10. The Borrower's exact legal name is: Big Rivers Electric Corporation.
11. The Borrower's organizational type is: Cooperative Corporation.
12. The Borrower is organized under the laws of the state/commonwealth of: Kentucky.
13. The Borrower's organizational identification number is: 0004242.
14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.N is 201 Third Street, Henderson, KY 42420.
15. The address for notices to the Borrower referred to in Section 8.01 is P.O. Box 24 Henderson, KY 42419-0024, Attention: President and Chief Executive Officer with a copy to: Chief Financial Officer, Fax: 270-827-2558; with a copy to: James M. Miller, Esq., Sullivan, Mountjoy, Stainback & Miller, P.S.C., 100 St. Ann Building, Owensboro, KY 42303.

EXHIBIT A

Interest Rate Rider (CFC Advantage - Farmer Mac Rate Options - G&T - Indenture)

The following definitions, terms, conditions and provisions shall apply to the Loan and are an integral part of this Agreement. Capitalized terms used in this Interest Rate Rider and not otherwise defined herein shall have the meaning assigned to them in this Agreement or in the Indenture.

ADDITIONAL DEFINITIONS

“Applicable Margin” Two hundred and five (205) basis points.

“Business Day” means any day (a) that banks located in New York, New York, United States of America are open for business, *and* (b) if such day relates to (i) determining the Applicable Margin, (ii) determining the LIBOR Rate, or (iii) calculating break funding fees, a day that is also a day on which dealings in U.S. Dollar deposits are carried out in the London interbank market.

“Fixed Rate” means the fixed interest rate per annum from the Offered Interest Rates, as may be selected by Borrower on the Notice of Election for the corresponding Fixed Rate Term.

“Fixed Rate Term” means a fixed period of years, as may be selected by Borrower on the Notice of Election, with the first such period commencing on the Closing Date.

“Interest Rate Reset Date” shall mean (a) with respect to a Loan with a Fixed Rate, the first day following the expiration of the Interest Rate Term applicable to the Loan, and (b) with respect to a Loan with a LIBOR Rate for which the Borrower has provided a timely Notice of Election selecting a Fixed Rate, the first calendar day of a month specified in the Notice of Election as the date on which the newly selected Fixed Rate shall apply.

“Interest Rate Term” means, with respect to any Loan, the applicable Fixed Rate Term or LIBOR Rate Term.

“LIBOR Rate” means the interest rate per annum equal to the Applicable Margin, plus the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of the Reuters Service, or if such Service ceases to be available, any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Lender from time to time for purposes of providing quotations of interest rates applicable to U.S. Dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such LIBOR Rate Term, as the rate for the offering of U.S. Dollar deposits with a maturity comparable to such LIBOR Rate Term.

“LIBOR Rate Term” means the period commencing on the first calendar day of a month and ending on the last calendar day of the same month, *provided, however*, that if the Closing Date is not the first calendar day of the month, then the first such period shall commence on the Closing Date and end on the last calendar day of the same month.

“Notice of Election” means a written request to Lender, in such form as Lender shall provide to the Borrower or other form acceptable to Lender, from any duly authorized officer or other employee of the Borrower electing one of the Offered Interest Rates.

“Offered Interest Rates” means the available interest rate options offered by the Federal Agricultural Mortgage Corporation for loans to rural electric power supply systems originated by CFC and sold to the Federal Agricultural Mortgage Corporation, which rates may change at the expiration of each applicable Interest Rate Term.

“Payment Date” means each of February 1 and August 1 of each year.

INITIAL SELECTION OF INTEREST RATE

Prior to the Closing Date, Borrower must provide a Notice of Election selecting a Fixed Rate or the LIBOR Rate for each Loan, as follows:

(i) Fixed Rate. If the Borrower selects a Fixed Rate, then such rate shall be in effect for the Fixed Rate Term selected by the Borrower. For any Loan, the Borrower may not select a Fixed Rate with a Fixed Rate Term that extends beyond the Maturity Date.

(ii) LIBOR Rate. If the Borrower selects the LIBOR Rate for a Loan, then such LIBOR Rate shall reset as of the first day of each LIBOR Rate Term until the Maturity Date, unless the Borrower provides a Notice of Election selecting a Fixed Rate from any of the Offered Interest Rates, pursuant to the terms hereof.

SUBSEQUENT SELECTION OF INTEREST RATE

For a Loan with a Fixed Rate, Lender shall provide Borrower with at least 60 days prior written or electronic notice to the Interest Rate Reset Date. The Borrower may provide a Notice of Election for such Loan at least 15 days prior to the Interest Rate Reset Date, selecting an interest rate from any of the Offered Interest Rates. Beginning on the Interest Rate Reset Date, such Loan shall bear interest according to the interest rate option so selected. If the Borrower does not timely provide a Notice of Election for such Loan, then beginning on the Interest Rate Reset Date the Loan shall bear interest at the LIBOR Rate. For any Loan, the Borrower may not select a Fixed Rate with a Fixed Rate Term that extends beyond the Maturity Date.

For a Loan with the LIBOR Rate, the Borrower may provide a Notice of Election selecting an interest rate from any of the Offered Interest Rates to apply to the Loan on a date specified in the Notice of Election, which date must be the first calendar day of a month on or after 30 days from the date of the Notice of Election. Beginning said date, such Loan shall bear interest according to the interest rate option so selected.

COMMUNICATION AND COMPUTATION OF INTEREST

Approximately one week prior to the Closing Date or Interest Rate Reset Date, as applicable, Lender shall advise Borrower of the rate of interest to apply to a Loan for which the Borrower newly selected a Fixed Rate or the LIBOR Rate, or did not select a new rate and thereby

converted to the LIBOR Rate. Interest shall be computed on the basis of a 30-day month and 360-day year. Subject to Section 3.02.B. (Default Rate) and Section 3.02.C. (Repurchase Rate), the rate properly selected by Borrower for each Interest Rate Term shall remain in effect until the beginning of the next Interest Rate Term. 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.

AMORTIZING LOANS; PAYMENT

The Loan will amortize on a level principal basis, based on a ten (10) year amortization period commencing on the Closing Date with a final balloon payment on the Maturity Date, as set forth on Schedule 3.01 attached hereto.

The Borrower shall promptly pay interest and principal in the amounts shown in the Payment Notice absent manifest error. 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.

[Remainder of page intentionally left blank.]

Schedule 2.01A

LITIGATION

Big Rivers Electric Corporation v. City of Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light, Henderson Circuit Court Civil Action No. 09-CI-00693 (the “Henderson Circuit Court Action”); *City of Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light v. Big Rivers Electric Corporation*, Kentucky Court of Appeals No. 2010-CA-000120-MR; *Big Rivers Electric Corporation v. City of Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light*, Kentucky Supreme Court No. 2014-SC-000595; *Big Rivers Electric Corporation v. City of Henderson, Kentucky, and City of Henderson Utility Commission, d/b/a/ Henderson Municipal Power and Light*, American Arbitration Association Case No. 52 198 000173 10.

Big Rivers filed suit in Henderson, Kentucky, Circuit Court on July 31, 2009, requesting an order referring to arbitration a dispute with the City of Henderson, Kentucky and City of Henderson Utility Commission (collectively, “HMP&L”) regarding the rights of the parties respecting “Excess Henderson Energy as defined in the contracts by which Big Rivers operates HMP&L’s Station Two and receives a portion of the generation output of Station Two. By agreement dated as of July 16, 2009, Western Kentucky Energy Corp. (“WKEC”) indemnified Big Rivers against certain adverse consequences of failing to prevail in the arbitration with HMP&L. The obligations of WKEC are guaranteed by its parent company, E.ON U.S. LLC, and its successor in interest. The order of the Henderson Circuit Court directing arbitration was appealed to the Kentucky Court of Appeals, which found that the circuit court order was non-final and non-appealable, and dismissed the appeal for want of appellate jurisdiction. The contractual dispute was submitted to the American Arbitration Association.

The arbitration panel issued an award on May 31, 2012, essentially adopting the HMP&L position in the arbitration. Big Rivers filed a motion on July 16, 2012, in the Henderson Circuit Court asking the court to vacate the arbitrators’ award. The judge ruled against Big Rivers on December 5, 2012. Big Rivers filed a notice of appeal to the Kentucky Court of Appeals on January 2, 2013. The Court of Appeals upheld the lower court. On August 12, 2015, the Kentucky Supreme Court denied Big Rivers’ request for discretionary review of the case.

Counsel for HMP&L wrote counsel for Big Rivers on June 26, 2012, asserting that Big Rivers owes HMP&L for “fixed costs” associated with energy Big Rivers had taken from HMP&L’s “reserve capacity for the period beginning in August 2009 to the date of the award May 30, 2012.” The amount claimed by HMP&L in that letter is \$3,753,013.09.

By letter dated September 14, 2015, from counsel for HMP&L to the lead counsel from the two law firms representing Big Rivers in this matter, HMP&L demanded damages of \$23,801,477.50, and an immediate cession of ongoing sales of Excess Henderson Energy by Big Rivers.

On February 12, 2016, HMP&L filed a petition in the Henderson Circuit Court case initiated by Big Rivers in 2009 that resulted in the arbitration award. The petition seeks damages in an unspecified amount for Big Rivers’ alleged wrongful use of this Excess Henderson Energy from July 2009 until Big Rivers stops using the Excess Henderson Energy. Big Rivers has notified WKEC of this petition as required under the July 16, 2009 Indemnification Agreement between

the parties. The attorneys retained by WKEC to represent Big Rivers in the original arbitration filed a motion to dismiss the petition on technical grounds. The Henderson Circuit Court ruled that the damages claim can proceed in the current docket. Discovery has commenced in the case. In a discovery response dated September 29, 2016, HMP&L said it is seeking damages from Big Rivers of approximately \$32,216,403 for the period from August 1, 2009 through July 31, 2016. Big Rivers is vigorously contesting the claims asserted in the petition based on substantial procedural and substantive defects in the petition and the claims it purports to assert including, without limitation, the liability of Big Rivers, and the measure and calculation of damages. The parties and WKEC have reached an agreement in principle to settle the damage claim suit and the WKEC indemnification obligation, and are negotiating agreements of settlement and release.

In the Matter of Application of Big Rivers Electric Corporation for a Declaratory Order, Kentucky Public Service Commission, Case No. 2016-00278.

Big Rivers filed an Application with the Kentucky Public Service Commission ("Commission") on July 29, 2016, seeking a declaratory order that, under the Power Sales Contract between Big Rivers and the City of Henderson and the Utility Commission of the City of Henderson (the City of Henderson and the Utility Commission of the City of Henderson, collectively, "Henderson") regarding operation of Henderson's Station Two, Big Rivers is not responsible for the variable costs of any energy defined as Excess Henderson Energy produced by Station Two that Big Rivers does not take, and that Henderson is responsible for those costs, or in the alternative, if Big Rivers is responsible for these costs under the Power Sales Contract, that the PSC modify that contract to make Henderson responsible for those costs. Big Rivers has been charging those costs to Henderson since June 1, 2016, but Henderson has refused payment. If the Commission rules against Big Rivers, the costs charged to Henderson may have to be expensed by Big Rivers, and the future costs of generating the unwanted Excess Henderson Energy could be the responsibility of Big Rivers.

A hearing in this case was held February 7, 2017. The briefing schedule ended March 21, 2017, after which the case was submitted to the Commission for decision. The Commission will determine whether it has jurisdiction over the pending dispute, and if so, how the contracts involved should be applied. But the Commission will not award damages. Upon joint motions from the parties, the Commission agreed to hold the case in abeyance until October 27, 2017, to allow the parties to try to reach a settlement of all issues and file a settlement agreement with the Commission.

Schedule 2.01C

DISCLOSURE

1. The consolidated (where applicable) balance sheet and statements of revenues, expenses and patronage capital as of and for the fiscal years ended December 31, 2014, 2015 and 2016 respectively, reported on by KPMG LLP.
2. The consolidated (where applicable) balance sheet and statements of revenues, expenses and patronage capital as of and for the fiscal quarter ended June 30, 2017.
3. RUS Form 12 dated August 31, 2017.

Schedule 2.01P

**MEMBER WHOLESALE POWER CONTRACTS
AND
MATERIAL DIRECT SERVE CONTRACTS**

[Attached Hereto]

Member Wholesale Power Contracts

1. Wholesale Power Contract Agreement – Federated Cooperative dated June 11, 1962, between Big Rivers Rural Electric Cooperative Corporation and Green River Rural Electric Cooperative Corp.¹
2. Amendment dated December 15, 1975, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Green River Electric Corporation.¹
3. Amendment 3 dated May 9, 1980, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Green River Electric Corporation.¹
4. Amendment dated July 15, 1998, to Wholesale Power Agreements dated October 12, 1974, and June 11, 1962, between Big Rivers Electric Corporation and Green River Electric Corporation.¹
5. Wholesale Power Contract – Federated Cooperative dated June 11, 1962, between Big Rivers Rural Electric Cooperative Corporation and Henderson Union Rural Electric Coop. Corp.¹
6. Amendment dated December 15, 1975, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Henderson-Union Rural Electric.¹
7. Amendment 4 dated May 9, 1980, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Henderson-Union Rural Electric Cooperative Corporation.¹
8. Amendment dated July 15, 1998, to Wholesale Power Agreements dated October 12, 1974, and June 11, 1962, between Big Rivers Electric Corporation and Henderson Union Electric Cooperative Corp.¹
9. System Disturbance Agreement dated April 4, 2001, between Big Rivers Electric Corporation, Kenergy Corp., Willamette Industries, Inc., WKE Station Two Inc., formally known as LG&E Station Two Inc., and Western Kentucky Energy Corp., as amended by the Release Agreement dated July 16, 2009.
10. Amendment dated July 6, 2009, to Wholesale Power Contracts dated June 11, 1962, between Big Rivers Electric Corporation and Kenergy Corp.
11. Amendment dated August 1, 2009, to Wholesale Power Contracts dated June 11, 1962, between Big Rivers Electric Corporation and Kenergy Corp.
12. Wholesale Power Contract dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Rural Electric Cooperative Corporation.
13. Letter agreement dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Rural Electric Cooperative Corporation.
14. Supplemental Agreement dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Rural Electric Cooperative Corporation.

¹ Green River Electric Corporation and Henderson Union Electric Cooperative Corp. merged and consolidated into Kenergy Corp. effective July 1, 1999.

15. Amendment 1 dated May 9, 1980, to Wholesale Power Contract dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Rural Electric Cooperative Corporation.
16. Amendment No. 2 dated July 6, 2009, to Wholesale Power Contract dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Rural Electric Cooperative Corporation.
17. Amendment No. 3 dated August 1, 2009, to Wholesale Power Contract dated October 14, 1977, between Big Rivers Electric Corporation and Jackson Purchase Rural Electric Cooperative Corporation.
18. Wholesale Power Contract – Federated Cooperative dated June 11, 1962, between Big Rivers Rural Electric Cooperative Corporation and Meade County Rural Electric Coop. Corp.
19. Supplemental Agreement dated June 8, 1962, between Big Rivers Rural Electric Generating and Transmission Cooperative Corp. and Meade County Rural Electric Cooperative Corp.
20. Amendment dated December 15, 1975, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Meade County Rural Electric Cooperative Corporation.
21. Amendment 2 dated May 9, 1980, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Meade County Rural Electric Cooperative Corporation.
22. Amendment No. 3 dated July 6, 2009, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Meade County Rural Electric Cooperative Corporation.
23. Amendment No. 4 dated August 1, 2009, to Wholesale Power Contract dated June 11, 1962, between Big Rivers Electric Corporation and Meade County Rural Electric Cooperative Corporation.

Material Direct Serve Contracts

24. Letter agreement dated December 9, 2008, between Big Rivers Electric Corporation and Kenergy Corp. (Kimberly-Clark).
25. Delivery Point Agreement dated July 1, 2009, between and among Kenergy Corp., Big Rivers Electric Corporation, Southwire Company, and Century Aluminum of Kentucky General Partnership.
26. Second Amended and Restated Wholesale Power Agreement dated January 21, 2011, between Big Rivers Electric Corporation and Kenergy Corp. (Domtar).
27. Letter Agreement dated as of May 27, 2016, between Big Rivers Electric Corporation and Kenergy Corp. (Aleris Rolled Products, Inc.).

Schedule 3.01

Payment Date	Principal Payment
2/1/2018	\$ 750,000.00
8/1/2018	\$ 750,000.00
2/1/2019	\$ 750,000.00
8/1/2019	\$ 750,000.00
2/1/2020	\$ 750,000.00
8/1/2020	\$ 750,000.00
On the Maturity Date	\$ 10,500,000.00