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January 10, 2011

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

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**PUBLIC SERVICE
COMMISSION**

Re: Case No. 2010-00395


Dear Mr. Derouen:

In accordance with the Commission's Order dated November 24, 2010 in the above-referenced case, East Kentucky Power Cooperative, Inc. ("EKPC") hereby notifies the Commission that its National Cooperative Service Corporation ("NCSC") loan is for the amount of \$23,813,392. Please also find enclosed for filing with the Commission three copies of the following:

- An updated version of Exhibit 2 from the Application, which reflects the savings based on the actual amount and actual interest rates of the new NCSC loan; and
- The executed loan documents.

Please call me if you have any questions.

Very truly yours,



Mark David Goss
Counsel

Enclosures



East Kentucky Power Cooperative

Detailed Comparison of Cash Flows

Portfolio: NCSC RUS 5% Refi Scenario 1 11/29/10

Year	RUS events		CFC events			LCIC's		CFC		Comparison	
	RUS Payments	RUS Payments	CFC Patronage	CFC Payments	LCIC's Payments	LCIC's Return	CFC Net Cash Flows	CFC Net Cash Flows	RUS - CFC Net Cash Flows		
8/31/2011	(\$2,970,955)	(\$2,652,337)	-	(\$2,652,337)	-	-	(\$2,652,337)	(\$2,652,337)	(\$318,616)		
8/31/2012	(\$3,593,804)	(\$3,588,334)	-	(\$3,588,334)	-	-	(\$3,588,334)	(\$3,588,334)	(\$5,470)		
8/31/2013	(\$3,034,952)	(\$2,955,908)	-	(\$2,955,908)	-	-	(\$2,955,908)	(\$2,955,908)	(\$79,044)		
8/31/2014	(\$2,769,243)	(\$2,730,849)	-	(\$2,730,849)	-	-	(\$2,730,849)	(\$2,730,849)	(\$38,395)		
8/31/2015	(\$2,340,189)	(\$2,330,624)	-	(\$2,330,624)	-	-	(\$2,330,624)	(\$2,330,624)	(\$9,565)		
8/31/2016	(\$2,340,189)	(\$2,276,192)	-	(\$2,276,192)	-	-	(\$2,276,192)	(\$2,276,192)	(\$63,997)		
8/31/2017	(\$2,340,189)	(\$2,308,266)	-	(\$2,308,266)	-	-	(\$2,308,266)	(\$2,308,266)	(\$31,923)		
8/31/2018	(\$2,340,189)	(\$2,319,522)	-	(\$2,319,522)	-	-	(\$2,319,522)	(\$2,319,522)	(\$20,666)		
8/31/2019	(\$2,218,423)	(\$2,217,721)	-	(\$2,217,721)	-	-	(\$2,217,721)	(\$2,217,721)	(\$702)		
8/31/2020	(\$1,748,900)	(\$1,746,906)	-	(\$1,746,906)	-	-	(\$1,746,906)	(\$1,746,906)	(\$1,994)		
8/31/2021	(\$1,748,900)	(\$1,703,858)	-	(\$1,703,858)	-	-	(\$1,703,858)	(\$1,703,858)	(\$45,042)		
8/31/2022	(\$1,566,766)	(\$1,564,233)	-	(\$1,564,233)	-	-	(\$1,564,233)	(\$1,564,233)	(\$2,533)		
8/31/2023	(\$1,152,004)	(\$1,150,071)	-	(\$1,150,071)	-	-	(\$1,150,071)	(\$1,150,071)	(\$1,933)		
8/31/2024	(\$627,011)	(\$587,618)	-	(\$587,618)	-	-	(\$587,618)	(\$587,618)	(\$39,393)		
8/31/2025	-	-	-	-	-	-	-	-	-		
8/31/2026	-	-	-	-	-	-	-	-	-		
8/31/2027	-	-	-	-	-	-	-	-	-		
8/31/2028	-	-	-	-	-	-	-	-	-		
8/31/2029	-	-	-	-	-	-	-	-	-		
8/31/2030	-	-	-	-	-	-	-	-	-		
8/31/2031	-	-	-	-	-	-	-	-	-		
8/31/2032	-	-	-	-	-	-	-	-	-		
8/31/2033	-	-	-	-	-	-	-	-	-		
8/31/2034	-	-	-	-	-	-	-	-	-		
8/31/2035	-	-	-	-	-	-	-	-	-		
8/31/2036	-	-	-	-	-	-	-	-	-		
8/31/2037	-	-	-	-	-	-	-	-	-		
8/31/2038	-	-	-	-	-	-	-	-	-		
8/31/2039	-	-	-	-	-	-	-	-	-		
8/31/2040	-	-	-	-	-	-	-	-	-		
8/31/2041	-	-	-	-	-	-	-	-	-		
8/31/2042	-	-	-	-	-	-	-	-	-		
8/31/2043	-	-	-	-	-	-	-	-	-		
8/31/2044	-	-	-	-	-	-	-	-	-		



East Kentucky Power Cooperative
Detailed Comparison of Cash Flows
Portfolio: NCSC RUS 5% Refi Scenario 1 11/29/10

Year	RUS events		CFC events			Comparison	
	RUS Payments	CFC Payments	CFC Patronage	LCTC's Payments	LCTC's Return	CFC Net Cash Flows	RUS - CFC Net Cash Flows
8/31/2045	-	-	-	-	-	-	-
8/31/2046	-	-	-	-	-	-	-
8/31/2047	-	-	-	-	-	-	-
8/31/2048	-	-	-	-	-	-	-
8/31/2049	-	-	-	-	-	-	-
8/31/2050	-	-	-	-	-	-	-
8/31/2051	-	-	-	-	-	-	-
8/31/2052	-	-	-	-	-	-	-
8/31/2053	-	-	-	-	-	-	-
8/31/2054	-	-	-	-	-	-	-
8/31/2055	-	-	-	-	-	-	-
8/31/2056	-	-	-	-	-	-	-
8/31/2057	-	-	-	-	-	-	-
8/31/2058	-	-	-	-	-	-	-
8/31/2059	-	-	-	-	-	-	-
8/31/2060	-	-	-	-	-	-	-

Sum of Cash Flows

Year 5	(\$14,709,142)	(\$14,258,052)	\$0	\$0	\$0	(\$14,258,052)	(\$451,090)
Year 10	(\$25,697,031)	(\$25,126,658)	\$0	\$0	\$0	(\$25,126,658)	(\$570,373)
Year 15	(\$30,791,711)	(\$30,132,438)	\$0	\$0	\$0	(\$30,132,438)	(\$659,274)
Year 20	(\$30,791,711)	(\$30,132,438)	\$0	\$0	\$0	(\$30,132,438)	(\$659,274)
Year 30	(\$30,791,711)	(\$30,132,438)	\$0	\$0	\$0	(\$30,132,438)	(\$659,274)
All years	(\$30,791,711)	(\$30,132,438)	\$0	\$0	\$0	(\$30,132,438)	(\$659,274)



East Kentucky Power Cooperative

Summary Comparison of Cash Flows

Portfolio: NCSC RUS 5% Refi Scenario 1 11/29/10

	Principal Payments	Interest Payments	Total Discounts	Patronage Retirement	LCTC Payments	LCTC Return	Total Cash Flow
RUS	(\$23,813,392)	(\$6,879,319)	\$0	\$0	\$0	\$0	(\$30,791,711)
CFC	(\$23,813,392)	(\$6,319,045)	\$0	\$0	\$0	\$0	(\$30,132,438)
RUS-CFC	\$0	(\$559,274)	\$0	\$0	\$0	\$0	(\$559,274)



East Kentucky Power Cooperative

CFC Loan Scenario

Portfolio: NCSC RUS 5% Refi Scenario 1 11/29/10


Count	Variable or Fixed	Interest Rate	Amort. Type	Advance Date	Amortization Start Date	Interest Rate Term	Loan Term In Months	Months to defer	Balloon Date	Final Payment Date	Loan Amount	LCTC's required?	Loans w/ Volume	Loans w/ Performance	Loans w/ Collateral	Loans w/ Equity
1	F	2.250%	LD	12/30/2010	3/1/2011	1	12	0		11/30/2011	\$3,089,253	No	\$0	N	N	N
2	F	2.500%	LD	12/30/2010	12/1/2011	2	24	9		11/30/2012	\$2,288,232	No	\$0	N	N	N
3	F	2.500%	LD	12/30/2010	12/1/2012	3	36	21		11/30/2013	\$2,127,321	No	\$0	N	N	N
4	F	3.250%	LD	12/30/2010	12/1/2013	4	48	33		11/30/2014	\$1,992,147	No	\$0	N	N	N
5	F	3.650%	LD	12/30/2010	12/1/2014	5	60	45		11/30/2015	\$1,865,448	No	\$0	N	N	N
6	F	4.050%	LD	12/30/2010	12/1/2015	6	72	57		11/30/2016	\$1,707,115	No	\$0	N	N	N
7	F	4.350%	LD	12/30/2010	12/1/2016	7	84	69		11/30/2017	\$1,795,642	No	\$0	N	N	N
8	F	4.650%	LD	12/30/2010	12/1/2017	8	96	81		11/30/2018	\$1,886,984	No	\$0	N	N	N
9	F	4.850%	LD	12/30/2010	12/1/2018	9	108	93		11/30/2019	\$1,836,229	No	\$0	N	N	N
10	F	5.050%	LD	12/30/2010	12/1/2019	10	120	105		11/30/2020	\$1,335,822	No	\$0	N	N	N
11	F	5.150%	LD	12/30/2010	12/1/2020	11	132	117		11/30/2021	\$1,544,187	No	\$0	N	N	N
12	F	5.250%	LD	12/30/2010	12/1/2021	12	144	129		11/30/2022	\$1,389,610	No	\$0	N	N	N
13	F	5.400%	LD	12/30/2010	12/1/2022	13	156	141		11/30/2023	\$980,327	No	\$0	N	N	N
14	F	5.500%	LD	12/30/2010	12/1/2023	14	168	153		2/28/2024	\$325,315	No	\$0	N	N	N

Executed Loan Documents



National Rural Utilities
Cooperative Finance Corporation

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

A Touchstone Energy® Cooperative 

December 30, 2010

Mr. Anthony S. Campbell
President & CEO
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
Winchester, KY 40391

RE: KY059-A-9061

Dear Mr. Campbell:

Your cooperative has executed and returned all required CFC loan documents and supporting papers in connection with the loan designated above. These documents have been reviewed and found legally acceptable and satisfactory to CFC and thus constitute a binding agreement between CFC and your system.

Loan funds may now be requisitioned in accordance with the terms of the Loan Agreement.

We at CFC appreciate the opportunity to serve your system and look forward to our continued business relationship.

Sincerely,

A handwritten signature in cursive script that reads 'Daniel Lyzinski'.

Daniel Lyzinski
Vice President

LOAN AGREEMENT

LOAN AGREEMENT (this "Agreement"), dated as of 12/21/2010, between EAST KENTUCKY POWER COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Kentucky, and NATIONAL COOPERATIVE SERVICES CORPORATION ("NCSC"), a cooperative association organized and existing under the laws of the District of Columbia.

RECITALS

WHEREAS, the Borrower has applied to NCSC for a loan or a series of loans for the purpose of refinancing certain of its existing indebtedness, as more fully described on Schedule 1 hereto, and NCSC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

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

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

ARTICLE I

DEFINITIONS

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

"Accounting Requirements" shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower (including but not limited to that prescribed by the financial and statistical report required by RUS, commonly known as the "RUS Form 12"), or in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

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

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

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

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

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

"CFC" shall mean National Rural Utilities Cooperative Finance Corporation, a cooperative association organized and existing under the laws of the District of Columbia.

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

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

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

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

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

"Draw Period" Draw Period shall mean the period of beginning on the date hereof and ending on the date that is one year thereafter.

"Environmental Laws" shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

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

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

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

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

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

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

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

"Loan Documents" shall mean this Agreement, the Note and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, governing or otherwise pertaining to the loan made by NCSC to the Borrower, pursuant to this Agreement.

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

"Make-Whole Premium" shall mean, with respect to any principal sum of a NCSC Fixed Rate Advance paid prior to the expiration of the NCSC Fixed Rate Term applicable thereto (the "Prepaid Principal Amount"), an amount calculated as set forth below. The Make-Whole Premium represents NCSC'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 NCSC Fixed Rate for the period from the prepayment date through the end of the NCSC 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 government security 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 government security yields dated 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 government security 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.

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

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

"NCSC Fixed Rate" shall mean (i) such fixed rate as is then available for loans with comparable maturities pursuant to NCSC's policies and procedures then in effect, or (ii) such other fixed rate as may be agreed to by the parties and reflected on the written requisition for funds in the form attached as Exhibit A hereto.

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

"NCSC Variable Rate" shall mean (i) the rate published by NCSC from time to time, by electronic or other means, for similarly classified variable interest rate loans, but if not published, then the rate determined for such loans by NCSC from time to time or (ii) such other variable rate as may be agreed to by the parties on the written requisition for funds in the form attached as Exhibit A hereto.

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

"Note" or "Notes" shall mean each promissory note, payable to the order of NCSC, 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.

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

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

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

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

"Principal" shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

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

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

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

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

G. Litigation. There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined,

either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

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

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

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

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

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

ARTICLE III

LOAN

Section 3.01 Advances. NCSC agrees to make one or more Advances for the purpose of refinancing certain of Borrower's existing indebtedness, as more fully described on Schedule 1 hereto, in an aggregate principal amount not to exceed the NCSC Commitment, *provided, however,* that Borrower shall not request, and NCSC shall have no obligation to advance, an amount greater than the outstanding principal balance of the indebtedness that is being refinanced. The obligation of the Borrower to repay Advances shall be evidenced by the Note. The Borrower shall give NCSC written notice of the date on which each Advance is to be made. Advances shall be remitted by NCSC directly to the lender whose indebtedness the Borrower is refinancing. Borrower shall provide NCSC with wiring instructions and/or such other information as is necessary to remit funds pursuant hereto.

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

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

A. Payments; Maturity; Amortization.

(i) Each Note shall have a Maturity Date that is not more than fourteen (14) 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) The principal amount of each Advance shall amortize over a period not to exceed fourteen (14) years from the date of such Advance according to the amortization method set forth in Schedule 1 hereto, *provided, however,* that such period shall not extend beyond the Maturity Date.

For each Advance, the Borrower shall promptly pay interest in the amount invoiced on each Payment Date until the first Payment Date of the Billing Cycle in which the Amortization Basis Date occurs. On such Payment Date, and on each Payment Date thereafter, the Borrower shall promptly pay interest and principal in the amounts invoiced. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date. The amortization method for each Advance shall be as stated on Schedule 1 or, if not so stated, then as stated on the written requisition for such Advance submitted by the Borrower to NCSC pursuant to the terms hereof.

(iii) NCSC will invoice the Borrower at least ten (10) days before each Payment Date, *provided, however,* that NCSC's failure to send an invoice shall not constitute a waiver by NCSC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

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

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

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

(i) NCSC Fixed Rate. If the Borrower selects a NCSC Fixed Rate for an Advance, then such rate shall be in effect for the NCSC Fixed Rate Term selected by the Borrower. NCSC shall provide the Borrower with at least sixty (60) days prior written or electronic notice of the Interest Rate Reset Date for such Advance. The Borrower may then select any available interest rate option for such Advance pursuant to NCSC'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 NCSC Variable Rate. NCSC agrees that its long-term loan policies will include a fixed interest rate option until the Maturity Date. For any Advance, the Borrower may not select a NCSC Fixed Rate with a NCSC Fixed Rate Term that extends beyond the Maturity Date. Interest on Advances bearing interest at an NCSC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days, until the first day of the Billing Cycle in which the Amortization Basis Date occurs; interest shall then be computed on the basis of a 30-day month and 360-day year.

(ii) NCSC Variable Rate. If the Borrower selects the NCSC Variable Rate for an Advance, then such NCSC Variable Rate shall apply until the Maturity Date, unless the Borrower elects to convert to an NCSC Fixed Rate pursuant to the terms hereof. Interest on Advances bearing interest at the NCSC 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 Borrower may at any time exercise any or all of the following interest rate conversion options by submitting a Conversion Request. The effective date of the interest rate conversion shall be determined by NCSC pursuant to its policies of general application.

A. NCSC Variable Rate to a NCSC Fixed Rate. The Borrower may convert the interest rate on an outstanding Advance from the NCSC Variable Rate to a NCSC Fixed Rate without a fee. Upon such conversion, the new interest rate shall be the NCSC Fixed Rate in effect on the date of the Conversion Request for the NCSC Fixed Rate Term selected by the Borrower.

B. NCSC Fixed Rate to NCSC Variable Rate. The Borrower may convert the interest rate on an outstanding Advance from a NCSC Fixed Rate to the NCSC Variable Rate, provided that the Borrower promptly pays the invoiced amount for any applicable conversion fee calculated pursuant to NCSC's long-term loan policies as established from time to time for similarly classified long-term loans. Upon such conversion, the new interest rate shall be the NCSC Variable Rate in effect on the date of the Conversion Request.

C. A NCSC Fixed Rate to Another NCSC Fixed Rate. The Borrower may convert the interest rate on an outstanding Advance from a NCSC Fixed Rate to a different NCSC Fixed

Rate by selecting a different NCSC Fixed Rate Term, provided that the Borrower promptly pays the invoiced amount for any applicable conversion fee calculated pursuant to NCSC's long-term loan policies as established from time to time for similarly classified long-term loans. Upon such conversion, the new interest rate shall be the NCSC Fixed Rate in effect on the date of the Conversion Request for the new NCSC Fixed Rate Term selected by the Borrower.

Section 3.04 Optional Prepayment. The Borrower may at any time, on not less than thirty (30) days prior written notice to NCSC, prepay any Advance, in whole or in part. Partial prepayments shall be applied to such installments due under the Note as may be designated by NCSC at the time of such prepayment. In the event the Borrower prepays all or any part of an Advance (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), the Borrower shall pay any prepayment fee or Make-Whole Premium as NCSC 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 applicable Advance.

If the Advance bears interest at the NCSC Variable Rate, the Borrower may prepay the Advance or any portion thereof, as the case may be, at any time subject to the terms hereof and said prepayment fee shall be in an amount equal to thirty three (33) basis points times the amount being prepaid, *provided, however*, that such fee shall not be charged for prepayment of any such Advance or portion thereof used to refinance the accrued but unpaid interest due on the Borrower's indebtedness with RUS.

If the Advance bears interest at a NCSC Fixed Rate, the Borrower may (a) prepay the Advance on the day before an Interest Rate Reset Date provided that the Borrower shall pay a prepayment fee in an amount equal to thirty three (33) basis points times the amount being prepaid or (b) any such other date provided that the Borrower shall pay a prepayment fee in an amount equal to thirty three (33) basis points times the amount being prepaid plus any applicable Make-Whole Premium.

Section 3.05 Mandatory Prepayment. If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and NCSC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium as set forth in any agreement between the Borrower and NCSC with respect to any such Obligation or, if not specified therein, as prescribed by NCSC pursuant to its policies of general application in effect from time to time.

Notwithstanding the foregoing, if after giving effect to such change in Borrower's corporate structure, 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, Borrower shall retain the ability to request, and NCSC shall retain the obligation to make, Advances hereunder and no prepayment shall be required under this Section 3.05.

Section 3.06 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 days thereafter, then beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

ARTICLE IV

CONDITIONS OF LENDING

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

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

B. Documents. NCSC 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 NCSC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as NCSC shall reasonably require, and (iv) all other such documents as NCSC may reasonably request.

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

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

E. Requisitions. The Borrower will requisition each Advance by submitting its written requisition to NCSC in form and substance satisfactory to NCSC. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

F. Wholesale Power Contracts. The Borrower shall have furnished to NCSC: (i) true and correct copies of each wholesale power supply contract, including any amendments thereto to the date of the Advance, between the Borrower and any of its members; and (ii) evidence and opinions of counsel, if so requested by NCSC, that such contracts have been approved by all applicable governmental or regulatory authorities and that such contracts are valid and binding on the parties thereto.

G. Other Information. The Borrower shall have furnished such other information as NCSC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial

analyses and pro forma financial statements sufficient to demonstrate to NCSC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as NCSC may reasonably request. NCSC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as NCSC may have requested pursuant to this paragraph.

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

ARTICLE V

COVENANTS

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

A. Financial Ratios; Design of Rates. The Borrower shall achieve an Average DSC Ratio of not less than 1.0. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.0 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

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

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

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

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

E. Annual Certificate. Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to NCSC a written statement, in form and substance satisfactory

to NCSC, either (a) signed by the Borrower's General Manager or Chief Executive Officer, or (b) submitted electronically through means made available to the Borrower by NCSC, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement and the Note throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof. The Borrower shall also deliver to NCSC such other information as NCSC may reasonably request from time to time.

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

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

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

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

J. Further Assurances. The Borrower shall execute any and all further documents, agreements and instruments, and take all such further actions which may be

required under any applicable law, or which NCSC may reasonably request, to effectuate the transactions contemplated by the Loan Documents.

K. Environmental Covenants. Borrower shall:

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

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

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

Section 5.02 Negative Covenants. The Borrower covenants and agrees with NCSC 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 NCSC's prior written consent:

A. Limitations on Mergers. Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person.

B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds. Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of NCSC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than one percent (1%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than three percent (3%) of Total Utility Plant. If the Borrower does sell, lease or transfer any capital assets, then the proceeds thereof (less ordinary and reasonable expenses incident to such transaction) shall immediately (i) be applied as a prepayment of the Note, to such installments as may be designated by NCSC at the time of any such prepayment; (ii) in the case of dispositions of equipment, material or scrap, applied to the purchase of other property useful in the Borrower's business, although not necessarily of the same kind as the property disposed of; or (iii) applied to the acquisition or construction of other property or in reimbursement of the costs of such property.

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

- (i) Make any Distribution if an Event of Default has occurred and is continuing.

(ii) Make Distributions during any calendar year in an amount greater than the amount of the Borrower's positive operating margins for the immediately preceding calendar year.

D. Limitations on Loans, Investments and Other Obligations.

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

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

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

E. Limitation on Indebtedness. Create, incur, assume, become liable in any manner in respect of, any unsecured indebtedness except (i) the Obligations, (ii) unsecured indebtedness to CFC and (iii) accounts payable to trade creditors for goods or services incurred in the ordinary course of business, as presently conducted, and paid within the specified time unless contested in good faith and by appropriate proceedings.

ARTICLE VI

EVENTS OF DEFAULT

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

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

B. Payment. The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable

under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

C. Other Covenants.

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

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

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

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

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

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

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

Inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

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

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

K. Monetary Judgment. The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of \$1,000,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

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

ARTICLE VII

REMEDIES

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

- (i) Cease making Advances hereunder;
- (ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by NCSC 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 NCSC under this section are in addition to any other rights and remedies (including other rights of

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

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

Nothing herein shall limit the right of NCSC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of NCSC 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 Cooperative Services Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: General Counsel
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

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

any other agreements, documents and instruments deemed necessary or appropriate by NCSC 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 NCSC Variable Rate plus two hundred basis points.

Section 8.03 Late Payments. If payment of any principal and/or interest due under the terms of the Note is not received at NCSC's office in Herndon, Virginia or such other place as NCSC may designate to the Borrower, within five (5) Business Days after the due date thereof, the Borrower will pay to NCSC, in addition to all other amounts due under the terms of the Loan Documents, a late payment charge equal to five percent (5%) of the delinquent amount.

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 NCSC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration or recordation as may be required in connection with this Agreement and the Note, including, without limitation, all documentary stamps 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 NCSC 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 NCSC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

Section 8.06 Waiver; Modification. No failure on the part of NCSC 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 NCSC 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 or the Note and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

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

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

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY

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

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

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

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

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

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

Section 8.13 Severability. If any term, provision or condition, or any part thereof, of this Agreement or the Note 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 Note 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 NCSC and thereafter shall be binding upon and inure to the benefit of the Borrower and NCSC and their respective successors and assigns except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of NCSC.

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

Section 8.16 Rescission of Excess Commitment. Any amount of the NCSC Commitment not required for the purpose set forth in Schedule 1 shall be rescinded by NCSC and the NCSC Commitment shall automatically be reduced by such amount without fee.

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

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

EAST KENTUCKY POWER
COOPERATIVE, INC.

(SEAL)

By: *Anthony S. Campbell*
Title: *Pres./CEO*

Attest: _____
Secretary

NATIONAL COOPERATIVE SERVICES
CORPORATION

(SEAL)

By: *Ann Shankroff*
Assistant Secretary-Treasurer
ANN SHANKROFF

Attest: *Daniel Lyzinski*
Assistant Secretary-Treasurer
DANIEL LYZINSKI

SCHEDULE 1

1. The purpose of this loan is to refinance up to 105% of the outstanding principal balance of certain indebtedness of the Borrower to RUS.
2. The aggregate NCSC Commitment shall mean \$25,000,000.00.
3. The Notes executed pursuant hereto and the amortization method for such Notes are as follows:

LOAN NUMBER	AMOUNT	AMORTIZATION METHOD
KY059-A-9061	\$25,000,000.00	Level Debt Service

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

<u>Name of Subsidiary</u>	<u>% of Borrower's ownership</u>
Charleston Bottoms Rural Electric Cooperative Corporation	100%
6. The date of the Borrower's balance sheet referred to in Section 2.01.H is December 31, 2009.
7. The Governmental Authority referred to in Section 2.01.J is: Kentucky Public Service Commission
8. The special conditions referred to in Section 4.01.K are as follows: None
9. The special covenants referred to in Section 5.01.P are as follows: None
10. The address for notices to the Borrower referred to in Section 8.01 is 4775 Lexington Rd., Winchester, KY 40391, Attention: President/CEO, Fax: 859-744-6008.



EXHIBIT A

**Loan Funds Requisition Statement
Refinance of RUS 5% Loans**

Borrower Name: _____
Date of Advance: _____

Co-op ID: _____

Amount requested to prepay the following RUS loans:

Loan Designation and Account No.	Principal to be Paid	Interest to be Paid	Total Payment
Total amount to be wired directly to RUS by NCSC for Borrower			

Officer's 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 and/or notification to NCSC of such event, or after giving effect to the Advance, would become such an Event of Default; (4) all of the representations and warranties made in the Loan Agreement are true; (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 NCSC to make Advances on the following terms, and hereby agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement:

