

# Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292  
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

RECEIVED

MAR 04 2011

PUBLIC SERVICE  
COMMISSION

March 2, 2011

Mr. Jeff Derouen, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
PO Box 615  
Frankfort, Kentucky 40602

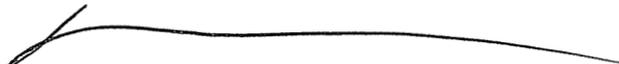
Re: Case No. 2010-00489

Dear Mr. Derouen:

Attached are documents requested in the Commission's order of January 5, 2011 in the above referenced case.

- Exact amount of new CoBank Loan
- Updated Version of Exhibit 5, pages 4 through 15
- 3 Copies of Loan documents
  - Supplemental Mortgage and Security Agreement is in process of being executed, taking 6-8 weeks. Will be forwarded to you then.

Respectfully submitted,

  
Don M. Combs

Mgr. Finance and accounting

# Sherman & Howard L.L.C.

ATTORNEYS & COUNSELORS AT LAW  
633 SEVENTEENTH STREET, SUITE 3000  
DENVER, COLORADO 80202  
TELEPHONE: (303) 297-2900  
FAX: (303) 298-0940

Jewell Alcott  
Direct Dial Number: (303) 299-8451  
E-mail: JAlcott@ShermanHoward.com

February 10, 2011

## VIA FEDERAL EXPRESS

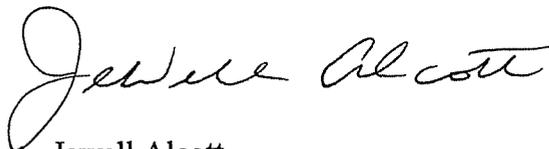
Mr. Don Combs  
Manager of Finance & Accounting  
Grayson Rural Electric Cooperative Corp.  
109 Bagby Park  
Grayson, KY 41143

Re: CoBank, ACB \$11,883,899.92 Credit Facilities to Grayson Rural Electric  
Cooperative Corporation

Dear Mr. Combs:

Enclosed is a loan closing binder which contains duplicate originals of the transaction documents related to the above-referenced matter. Please call our office if we can be of further assistance.

Sincerely,



Jewell Alcott  
Legal Secretary

Enclosure

**RUS notes proposed for refinancing:**

<b>Note ID</b>	<b>Principal Balance</b>	<b>Final Payment Date</b>	<b>Years Remaining</b>	<b>Weighted Average Life</b>
1B340	28,145.60	08/31/2012	1.67	0.89
1B342	28,145.60	08/31/2012	1.67	0.89
1B350	39,749.99	08/31/2013	2.67	1.42
1B352	39,749.99	08/31/2013	2.67	1.42
1B360	155,462.85	11/30/2014	3.92	2.08
1B362	155,462.85	11/30/2014	3.92	2.08
1B370	205,966.43	11/30/2016	5.92	3.27
1B373	215,609.47	11/30/2016	5.92	3.28
1B380	243,231.63	05/31/2020	9.42	4.94
1B382	243,231.63	05/31/2020	9.42	4.94
1B390	371,491.18	12/31/2022	12.01	6.46
1B392	277,987.46	12/31/2022	12.01	6.46
1B393	96,194.84	12/31/2022	12.01	6.49
1B400	496,496.87	02/28/2026	15.17	8.42
1B403	510,232.78	03/31/2026	15.26	8.45
1B410	818,948.60	05/31/2029	18.43	10.50
1B411	146,666.37	05/31/2029	18.43	10.50
1B412	381,183.33	05/31/2029	18.43	10.50
1B413	372,249.40	05/31/2029	18.43	10.50
1B414	212,182.21	05/31/2029	18.43	10.50
1B420	1,559,848.15	04/30/2031	20.34	11.77
1B421	789,796.69	04/30/2031	20.34	11.77
1B422	631,837.26	04/30/2031	20.34	11.77
1B423	868,776.26	04/30/2031	20.34	11.77
1B424	710,817.01	04/30/2031	20.34	11.77
1B425	671,327.01	04/30/2031	20.34	11.77
1B427	516,644.15	04/30/2031	20.34	11.78
1B428	517,620.45	04/30/2031	20.34	11.77
1B426	578,843.86	05/31/2031	20.43	11.83
<b>Totals</b>	<b>11,883,899.92</b>		<b>20.43</b>	<b>9.90</b>

**Interest Savings (over life of notes):**

<b><u>Total Interest RUS @ 5.00%</u></b>	<b><u>Total Interest CoBank @ 4.62%</u></b>	<b><u>Total Savings</u></b>
<b>\$5,997,379</b>	<b>\$5,623,545</b>	<b>\$373,834</b>
<b>CoBank Cash Patronage Refund:</b>		<b>\$779,507</b>
<b>CoBank Stock Patronage Refund:</b>		<b><u>\$419,735</u></b>
<b>Total Life Time Benefit:</b>		<b><u>\$1,573,076</u></b>
<b>Present Value of Benefit (discounted @ 5.00%)</b>		<b><u>\$965,317</u></b>

There are no prepayment penalties arising from prepayment of RUS debt. CoBank would document this transaction using outside counsel to be paid by Grayson. The estimated cost is \$5,000 and is included in the loan analysis under tab 2 (shown in the column Legal Cost/Pat. Refund). The documentation cost is considered in the effective interest rate analysis.

**TAB 2**

**Grayson RECC  
Annual Summary  
Scenario - 20.43 Years Matching RUS Principal Repayment**

Run Date **3/2/11**  
 Loan Amount **\$11,883,900**  
 CoBank Loan Interest Rate **4.62%**  
 Lifetime Cash Flow Savings **\$1,573,076**  
 Lifetime CoBank Patronage **\$1,199,242**  
 Lifetime Interest Savings **\$373,834**  
 Lifetime NPV Benefit \* **\$965,317**  
 Net Effective Interest Rate **3.86%**

\* NPV Discount Rate = 8.00%

	Combined RUS Loans				CoBank Loan					
	Principal Balance	Annual Principal Payment	Annual Interest Payment	Total Ann Cash Flow	Annual Cash Flow Differential	Total Ann Cash Flow	Annual Interest Payment	Annual Principal Payment	Principal Balance	Patronage Refund
2010	\$11,883,900	\$0	\$0	\$0	-\$5,000	\$5,000	\$5,000	\$0	\$11,883,900	\$0
2011	\$11,292,118	\$591,782	\$591,206	\$1,172,987	\$36,713	\$1,136,275	\$544,493	\$591,782	\$11,292,118	\$0
2012	\$10,670,101	\$622,017	\$660,205	\$1,172,222	\$110,301	\$1,061,921	\$515,451	\$622,017	\$10,670,101	-\$75,547
2013	\$10,051,724	\$618,377	\$519,185	\$1,137,572	\$104,317	\$1,033,255	\$486,399	\$618,377	\$10,051,724	-\$71,522
2014	\$9,442,947	\$608,777	\$488,272	\$1,097,050	\$98,328	\$998,721	\$467,430	\$608,777	\$9,442,947	-\$67,486
2015	\$8,878,659	\$604,288	\$459,281	\$1,023,569	\$92,477	\$931,092	\$430,270	\$564,288	\$8,878,659	-\$63,466
2016	\$8,289,418	\$599,241	\$430,477	\$1,019,718	\$86,890	\$932,828	\$403,285	\$599,241	\$8,289,418	-\$59,698
2017	\$7,749,855	\$593,563	\$402,173	\$941,737	\$81,351	\$860,375	\$376,769	\$593,563	\$7,749,855	-\$55,958
2018	\$7,182,687	\$587,188	\$374,571	\$941,740	\$75,935	\$865,804	\$350,911	\$587,188	\$7,182,687	-\$52,275
2019	\$6,586,501	\$580,188	\$345,557	\$941,743	\$70,514	\$871,229	\$323,729	\$580,188	\$6,586,501	-\$48,686
2020	\$6,002,434	\$584,067	\$315,667	\$899,733	\$64,854	\$834,880	\$295,727	\$584,067	\$6,002,434	-\$44,914
2021	\$5,412,528	\$589,906	\$286,693	\$876,600	\$59,142	\$817,458	\$268,584	\$589,906	\$5,412,528	-\$41,032
2022	\$4,797,632	\$614,896	\$256,616	\$871,412	\$53,465	\$817,947	\$240,313	\$614,896	\$4,797,632	-\$37,262
2023	\$4,231,111	\$666,621	\$226,991	\$793,512	\$47,677	\$745,835	\$212,653	\$666,621	\$4,231,111	-\$33,339
2024	\$3,636,204	\$694,907	\$198,034	\$792,942	\$42,010	\$750,932	\$185,525	\$694,907	\$3,636,204	-\$29,501
2025	\$3,010,282	\$625,941	\$167,576	\$793,518	\$36,325	\$757,193	\$156,991	\$625,941	\$3,010,282	-\$25,740
2026	\$2,434,748	\$575,516	\$137,132	\$712,648	\$30,438	\$682,210	\$128,470	\$575,516	\$2,434,748	-\$21,776
2027	\$1,844,473	\$590,273	\$108,320	\$699,593	\$24,681	\$673,932	\$101,478	\$590,273	\$1,844,473	-\$17,819
2028	\$1,224,257	\$620,216	\$78,134	\$699,350	\$18,653	\$656,697	\$73,199	\$620,216	\$1,224,257	-\$13,718
2029	\$674,774	\$649,483	\$47,797	\$597,280	\$66,065	\$531,215	\$44,778	\$649,483	\$674,774	-\$9,045
2030	\$169,147	\$516,627	\$22,026	\$537,653	\$58,579	\$479,073	\$20,635	\$516,627	\$169,147	-\$5,188
2031	\$0	\$159,147	\$1,553	\$160,701	\$51,478	\$109,223	\$1,455	\$159,147	\$0	-\$5,180
2032	\$0	\$0	\$0	\$0	\$45,922	-\$45,922	\$0	\$0	\$0	-\$45,922
2033	\$0	\$0	\$0	\$0	\$41,032	-\$41,032	\$0	\$0	\$0	-\$41,032
2034	\$0	\$0	\$0	\$0	\$38,309	-\$38,309	\$0	\$0	\$0	-\$38,309
2035	\$0	\$0	\$0	\$0	\$31,680	-\$31,680	\$0	\$0	\$0	-\$31,680
2036	\$0	\$0	\$0	\$0	\$26,801	-\$26,801	\$0	\$0	\$0	-\$26,801
2037	\$0	\$0	\$0	\$0	\$21,931	-\$21,931	\$0	\$0	\$0	-\$21,931
2038	\$0	\$0	\$0	\$0	\$17,321	-\$17,321	\$0	\$0	\$0	-\$17,321
2039	\$0	\$0	\$0	\$0	\$12,496	-\$12,496	\$0	\$0	\$0	-\$12,496
2040	\$0	\$0	\$0	\$0	\$7,638	-\$7,638	\$0	\$0	\$0	-\$7,638
2041	\$0	\$0	\$0	\$0	\$3,515	-\$3,515	\$0	\$0	\$0	-\$3,515
2042	\$0	\$0	\$0	\$0	\$245	-\$245	\$0	\$0	\$0	-\$245
2043	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sum	\$11,883,900	\$5,997,378	\$17,881,279	\$1,573,076	\$16,308,203	\$5,623,545	\$11,883,900		\$1,199,242	

## Scenario - 20.43 Years Matching RUS Principal Repayment

### EXISTING RUS LOANS

Beginning Loan Balance \$ 11,883,899.92  
 Final Payment Date 5/31/31  
 Remaining Monthly Pmts 245  
 Roll Forward Date 12/31/2010

Lifetime Interest \$5,997,379

Present Value of RUS Cash Flow \$11,883,900

NPV Benefit of Refi = \$964,431  
 NPV Discount Rate = 5.00%

### CoBANK REFINANCING LOAN

Beginning Loan Balance \$ 11,883,899.92  
 Final Payment Date 5/31/31  
 Remaining Monthly Pmts 245  
 CoBANK Interest Rate 4.62%  
 Legal Cost Estimate Included \$5,000

Lifetime Interest \$5,619,434

Present Value of CoBank Cash Flow

Payment Number	Combined RUS Loans				CoBank Loan				
	Principal Balance	Principal Payment	Interest Payment	Total Cash Flow	Total Cash Flow	Interest Payment	Principal Payment	Principal Balance	Legal Cost/Pat. Refund
12/31/2010	0	\$11,883,900						\$11,883,900	
01/31/2011	1	11,883,900	\$0	\$49,516	\$49,516	\$52,278	\$47,278	\$0	\$5,000
02/28/2011	2	11,783,896	100,004	49,516	149,520	146,392	46,388	100,004	0
03/31/2011	3	11,751,913	31,983	48,100	81,083	77,981	45,998	31,983	0
04/30/2011	4	11,718,298	33,614	48,966	82,581	79,488	45,873	33,614	0
05/31/2011	5	11,633,491	84,807	48,826	133,633	130,549	45,742	84,807	0
06/30/2011	6	11,599,606	33,885	48,473	82,358	79,296	45,411	33,885	0
07/31/2011	7	11,567,063	32,543	48,332	80,875	77,822	45,279	32,543	0
08/31/2011	8	11,481,175	85,888	48,196	134,084	131,040	45,152	85,888	0
09/30/2011	9	11,446,883	34,292	47,838	82,131	79,109	44,816	34,292	0
10/31/2011	10	11,413,917	32,965	47,695	80,661	77,648	44,683	32,965	0
11/30/2011	11	11,325,371	88,547	47,558	136,105	133,101	44,554	88,547	0
12/31/2011	12	11,282,118	33,252	47,189	80,441	77,460	44,208	33,252	0
01/31/2012	13	11,258,725	33,393	47,050	80,444	77,472	44,078	33,393	0
02/29/2012	14	11,167,640	91,085	46,911	137,996	135,033	43,948	91,085	0
03/31/2012	15	11,133,950	33,690	46,532	80,222	77,336	43,593	33,690	-75,547
04/30/2012	16	11,098,677	35,273	46,391	81,664	78,734	43,461	35,273	0
05/31/2012	17	11,009,447	89,229	46,244	135,474	132,553	43,323	89,229	0
06/30/2012	18	10,973,890	35,558	45,873	81,430	78,533	42,975	35,558	0
07/31/2012	19	10,939,612	34,278	45,725	80,003	77,114	42,836	34,278	0
08/31/2012	20	10,858,927	80,885	45,582	126,266	123,387	42,702	80,885	0
09/30/2012	21	10,822,941	35,986	45,246	81,232	78,374	42,388	35,986	0
10/31/2012	22	10,788,218	34,723	45,096	79,818	76,970	42,247	34,723	0
11/30/2012	23	10,705,125	83,093	44,951	128,044	125,204	42,112	83,093	0
12/31/2012	24	10,670,101	35,024	44,605	79,629	76,811	41,787	35,024	0
01/31/2013	25	10,634,928	35,173	44,459	79,632	76,823	41,650	35,173	0
02/28/2013	26	10,547,966	86,963	44,312	131,275	128,476	41,513	86,963	0
03/31/2013	27	10,512,476	35,490	43,950	79,440	5,142	41,174	35,490	-71,522
04/30/2013	28	10,475,453	37,022	43,802	80,824	78,058	41,035	37,022	0
05/31/2013	29	10,391,722	83,731	43,648	127,379	124,622	40,891	83,731	0
06/30/2013	30	10,354,400	37,322	43,299	80,621	77,885	40,564	37,322	0
07/31/2013	31	10,318,292	36,408	43,143	79,252	76,527	40,418	36,408	0
08/31/2013	32	10,241,658	76,634	42,993	119,627	116,911	40,277	76,634	0
09/30/2013	33	10,203,886	37,772	42,674	80,446	77,750	39,978	37,772	0
10/31/2013	34	10,167,310	36,576	42,516	79,092	76,407	39,831	36,576	0
11/30/2013	35	10,088,617	78,692	42,364	121,056	118,380	39,688	78,692	0
12/31/2013	36	10,051,724	36,893	42,036	78,929	76,274	39,381	36,893	0
01/31/2014	37	10,014,674	37,050	41,882	78,932	76,287	39,237	37,050	0
02/28/2014	38	9,932,312	82,362	41,728	124,090	121,454	39,092	82,362	0
03/31/2014	39	9,894,930	37,382	41,385	78,767	8,667	38,771	37,382	-67,486
04/30/2014	40	9,856,069	38,861	41,229	80,090	77,486	38,625	38,861	0
05/31/2014	41	9,776,764	79,305	41,067	120,371	117,777	38,473	79,305	0
06/30/2014	42	9,737,588	39,176	40,737	79,912	77,339	38,163	39,176	0
07/31/2014	43	9,699,556	38,032	40,573	78,606	76,043	38,010	38,032	0
08/31/2014	44	9,619,239	80,317	40,415	120,732	118,179	37,862	80,317	0
09/30/2014	45	9,579,589	39,650	40,080	79,730	77,199	37,548	39,650	0
10/31/2014	46	9,541,065	38,525	39,915	78,439	75,918	37,394	38,525	0
11/30/2014	47	9,481,805	59,260	39,754	99,914	96,503	37,243	59,260	0
12/31/2014	48	9,442,947	38,858	39,508	78,365	75,870	37,012	38,858	0
01/31/2015	49	9,403,924	39,023	39,346	78,368	75,883	36,860	39,023	0
02/28/2015	50	9,342,283	61,641	39,183	100,824	98,349	36,708	61,641	0
03/31/2015	51	9,302,912	39,371	38,926	78,297	12,372	36,467	39,371	-63,466
04/30/2015	52	9,262,117	40,794	38,762	79,556	77,108	36,314	40,794	0
05/31/2015	53	9,203,562	58,555	38,592	97,148	94,710	36,154	58,555	0
06/30/2015	54	9,162,437	41,125	38,348	79,473	77,051	35,928	41,125	0
07/31/2015	55	9,122,382	40,055	38,177	78,232	75,820	35,765	40,055	0
08/31/2015	56	9,063,076	59,306	38,010	97,316	94,915	35,609	59,306	0
09/30/2015	57	9,021,452	41,624	37,763	79,387	77,002	35,377	41,624	0
10/31/2015	58	8,980,879	40,572	37,589	78,162	75,787	35,215	40,572	0
11/30/2015	59	8,919,582	61,297	37,420	98,717	96,354	35,057	61,297	0

## **Refinancing Process**

A refinancing of secured debt is permitted under the RUS Mortgage. Included below is an excerpt from the RUS Mortgage providing for such refinancing. CoBank can provide electronic copies of all CoBank documents.

The specific steps for refinancing RUS notes are:

1. Provide CoBank with your RUS form 613 (Quarterly RUS Statement of Loan Account) in order to analyze notes beneficial to refinance.
2. CoBank completes due diligence and provides loan commitment.
3. Provide notice to RUS of prepayment, designating notes to be prepaid and request for payoff memorandum. This notice must be at least four business days before the desired pay off date.
  - RUS Payoff Information: Direct Loan and Grant Branch (DLGB)
    - Telephone: 314-457-4049 or 314-457-4083
    - Fax: 314-457-4283 or 314-457-4284
    - Email: [dlgb@stl.rural.usda.gov](mailto:dlgb@stl.rural.usda.gov)
  - Cash Transmittal Questions: Cash Management Branch (CMB)
    - Telephone: 314-457-4021
4. Obtain and forward to CoBank, RUS prepared spreadsheet setting forth principal and interest to be paid off.
5. Apply and obtain any required regulatory approval as defined by applicable state.
6. Provide borrowing resolution and return all executed loan documents to CoBank.
7. Borrower notifies CoBank as to whether prior period amounts due will be delivered to CoBank or if it will be drawn from borrower's CoBank line of credit for final settlement of RUS notes.
8. Principal balance and interest wired by CoBank to RUS paying off notes.
9. Supplemental mortgages filing complete and opinion of counsel delivered to CoBank.

Excerpt from Article II of the RUS Mortgage

SECTION 2.02. Refunding or Refinancing Notes: The Mortgagor shall also have the right without the consent of any Mortgagee or any Noteholder to issue Additional Notes for the purpose of refunding or refinancing any Notes so long as the total amount of outstanding indebtedness evidenced by such Additional Note or Notes is not greater than 105% of the then outstanding principal balance of the Note or Notes being refunded or refinanced. PROVIDED, HOWEVER, that the Mortgagor may not exercise its rights under this Section if an Event of Default has occurred and is continuing, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing. On or before the first advance of proceeds from Notes issued under this section, the Mortgagor shall notify each Mortgagee of the refunding or refinancing. Additional Notes issued pursuant to this Section [2.02] will thereupon be secured equally and ratably with the Notes.

12/31/2015	60	8,878,659	40,923	37,165	78,089	75,740	34,817	40,923	8,878,659	0
01/31/2016	61	8,837,562	41,097	36,994	78,091	75,754	34,658	41,097	8,837,562	0
02/29/2016	62	8,774,315	63,248	36,823	100,071	97,745	34,497	63,248	8,774,315	0
03/31/2016	63	8,732,858	41,457	36,560	78,016	16,009	34,250	41,457	8,732,858	-59,698
04/30/2016	64	8,690,037	42,821	36,387	79,208	76,910	34,088	42,821	8,690,037	0
05/31/2016	65	8,628,410	61,627	36,208	97,835	95,548	33,921	61,627	8,628,410	0
06/30/2016	66	8,585,241	43,169	35,952	79,121	76,850	33,681	43,169	8,585,241	0
07/31/2016	67	8,543,065	42,176	35,772	77,947	75,688	33,512	42,176	8,543,065	0
08/31/2016	68	8,480,649	62,417	35,598	88,013	95,764	33,348	62,417	8,480,649	0
09/30/2016	69	8,436,955	43,694	35,336	79,030	76,798	33,104	43,694	8,436,955	0
10/31/2016	70	8,394,235	42,720	35,154	77,874	75,653	32,933	42,720	8,394,235	0
11/30/2016	71	8,332,507	61,728	34,976	96,704	94,495	32,767	61,728	8,332,507	0
12/31/2016	72	8,289,418	43,089	34,719	77,807	75,614	32,526	43,089	8,289,418	0
01/31/2017	73	8,246,147	43,271	34,539	77,811	75,629	32,358	43,271	8,246,147	0
02/28/2017	74	8,199,302	46,844	34,359	81,203	79,033	32,189	46,844	8,199,302	0
03/31/2017	75	8,155,648	43,664	34,184	77,818	19,702	32,006	43,664	8,155,648	-55,958
04/30/2017	76	8,110,692	44,957	33,982	78,939	76,792	31,835	44,957	8,110,692	0
05/31/2017	77	8,066,661	44,030	33,795	77,825	75,690	31,660	44,030	8,066,661	0
06/30/2017	78	8,021,339	45,322	33,611	78,834	76,810	31,488	45,322	8,021,339	0
07/31/2017	79	7,976,929	44,410	33,422	77,832	75,721	31,311	44,410	7,976,929	0
08/31/2017	80	7,932,330	44,599	33,237	77,836	75,736	31,138	44,599	7,932,330	0
09/30/2017	81	7,886,456	45,875	33,051	78,826	76,838	30,964	45,875	7,886,456	0
10/31/2017	82	7,841,473	44,983	32,860	77,843	75,767	30,785	44,983	7,841,473	0
11/30/2017	83	7,796,225	46,248	32,673	78,921	76,857	30,609	46,248	7,796,225	0
12/31/2017	84	7,749,855	45,370	32,480	77,860	75,799	30,428	45,370	7,749,855	0
01/31/2018	85	7,704,292	45,563	32,291	77,864	75,814	30,251	45,563	7,704,292	0
02/28/2018	86	7,655,370	48,922	32,101	81,024	78,996	30,073	48,922	7,655,370	0
03/31/2018	87	7,609,406	45,964	31,897	77,861	23,572	29,893	45,964	7,609,406	-52,275
04/30/2018	88	7,562,204	47,202	31,706	78,907	76,905	29,703	47,202	7,562,204	0
05/31/2018	89	7,515,844	46,380	31,509	77,868	75,879	29,519	46,380	7,515,844	0
06/30/2018	90	7,468,258	47,586	31,316	78,902	76,924	29,338	47,586	7,468,258	0
07/31/2018	91	7,421,500	46,759	31,118	77,876	75,911	29,152	46,759	7,421,500	0
08/31/2018	92	7,374,542	46,957	30,923	77,880	75,927	28,970	46,957	7,374,542	0
09/30/2018	93	7,326,376	48,167	30,727	78,894	76,953	28,786	48,167	7,326,376	0
10/31/2018	94	7,279,014	47,361	30,527	77,888	75,959	28,598	47,361	7,279,014	0
11/30/2018	95	7,230,455	48,559	30,329	78,889	76,973	28,413	48,559	7,230,455	0
12/31/2018	96	7,182,687	47,768	30,127	77,895	75,992	28,224	47,768	7,182,687	0
01/31/2019	97	7,134,715	47,971	29,928	77,899	76,009	28,037	47,971	7,134,715	0
02/28/2019	98	7,083,608	51,107	29,728	80,835	78,957	27,850	51,107	7,083,608	0
03/31/2019	99	7,035,216	48,392	29,515	77,907	27,357	27,651	48,392	7,035,216	-48,688
04/30/2019	100	6,985,655	49,561	29,313	78,878	77,023	27,462	49,561	6,985,655	0
05/31/2019	101	6,936,847	48,808	29,107	77,915	76,076	27,268	48,808	6,936,847	0
06/30/2019	102	6,886,881	49,966	28,904	78,869	77,043	27,078	49,966	6,886,881	0
07/31/2019	103	6,837,654	49,227	28,695	77,923	76,110	26,883	49,227	6,837,654	0
08/31/2019	104	6,788,217	49,437	28,490	77,927	76,127	26,691	49,437	6,788,217	0
09/30/2019	105	6,737,641	50,576	28,284	78,861	77,074	26,498	50,576	6,737,641	0
10/31/2019	106	6,687,780	49,861	28,074	77,935	76,161	26,300	49,861	6,687,780	0
11/30/2019	107	6,636,790	50,989	27,866	78,855	77,095	26,106	50,989	6,636,790	0
12/31/2019	108	6,586,501	50,290	27,653	77,943	76,196	25,907	50,290	6,586,501	0
01/31/2020	109	6,535,998	50,503	27,444	77,947	76,213	25,710	50,503	6,535,998	0
02/29/2020	110	6,483,490	52,508	27,233	79,742	78,021	25,513	52,508	6,483,490	0
03/31/2020	111	6,432,549	50,941	27,015	77,955	31,335	25,308	50,941	6,432,549	-44,914
04/30/2020	112	6,380,511	52,038	26,802	78,840	77,147	25,109	52,038	6,380,511	0
05/31/2020	113	6,332,247	48,264	26,585	74,850	73,170	24,906	48,264	6,332,247	0
06/30/2020	114	6,285,225	47,022	26,384	73,406	71,739	24,718	47,022	6,285,225	0
07/31/2020	115	6,238,871	46,354	26,188	72,542	70,888	24,534	46,354	6,238,871	0
08/31/2020	116	6,192,321	46,551	25,995	72,546	70,904	24,353	46,551	6,192,321	0
09/30/2020	117	6,144,724	47,597	25,801	73,398	71,768	24,172	47,597	6,144,724	0
10/31/2020	118	6,097,773	46,951	25,603	72,554	70,936	23,986	46,951	6,097,773	0
11/30/2020	119	6,049,788	47,985	25,407	73,393	71,788	23,802	47,985	6,049,788	0
12/31/2020	120	6,002,434	47,354	25,207	72,561	70,969	23,615	47,354	6,002,434	0
01/31/2021	121	5,954,879	47,555	25,010	72,565	70,985	23,430	47,555	5,954,879	0
02/28/2021	122	5,904,675	50,204	24,812	75,016	73,449	23,245	50,204	5,904,675	0
03/31/2021	123	5,856,705	47,970	24,603	72,573	29,986	23,049	47,970	5,856,705	-41,032
04/30/2021	124	5,807,729	48,976	24,403	73,379	71,837	22,861	48,976	5,807,729	0
05/31/2021	125	5,759,348	48,382	24,199	72,581	71,052	22,670	48,382	5,759,348	0
06/30/2021	126	5,709,972	49,376	23,997	73,373	71,858	22,481	49,376	5,709,972	0
07/31/2021	127	5,661,175	48,797	23,792	72,588	71,086	22,289	48,797	5,661,175	0
08/31/2021	128	5,612,171	49,004	23,588	72,592	71,102	22,098	49,004	5,612,171	0
09/30/2021	129	5,562,190	49,981	23,384	73,365	71,888	21,907	49,981	5,562,190	0
10/31/2021	130	5,512,765	49,424	23,176	72,600	71,136	21,712	49,424	5,512,765	0
11/30/2021	131	5,462,376	50,389	22,970	73,359	71,908	21,519	50,389	5,462,376	0
12/31/2021	132	5,412,528	49,848	22,760	72,608	71,170	21,322	49,848	5,412,528	0
01/31/2022	133	5,362,468	50,060	22,552	72,612	71,188	21,128	50,060	5,362,468	0
02/28/2022	134	5,309,992	52,476	22,344	74,820	73,409	20,932	52,476	5,309,992	0
03/31/2022	135	5,259,496	50,495	22,125	72,620	33,961	20,727	50,495	5,259,496	-37,262
04/30/2022	136	5,208,066	51,430	21,915	73,345	71,961	20,530	51,430	5,208,066	0
05/31/2022	137	5,157,139	50,928	21,700	72,628	71,258	20,330	50,928	5,157,139	0
06/30/2022	138	5,105,287	51,851	21,488	73,339	71,982	20,131	51,851	5,105,287	0
07/31/2022	139	5,053,922	51,365	21,272	72,637	71,293	19,928	51,365	5,053,922	0
08/31/2022	140	5,002,339	51,583	21,058	72,641	71,311	19,728	51,583	5,002,339	0
09/30/2022	141	4,949,852	52,487	20,843	73,330	72,014	19,526	52,487	4,949,852	0
10/31/2022	142	4,897,828	52,025	20,624	72,649	71,346	19,322	52,025	4,897,828	0
11/30/2022	143	4,844,911	52,917	20,408	73,324	72,035	19,119	52,917	4,844,911	0
12/31/2022	144	4,797,632	47,279	20,187	67,466	66,191	18,912	47,279	4,797,632	0
01/31/2023	145	4,751,865	45,747	19,980	65,737	64,475	18,727	45,747	4,751,865	0

02/28/2023	146	4,703,990	47,894	19,800	67,694	66,443	18,549	47,894	4,703,990	0
03/31/2023	147	4,657,845	46,145	19,600	65,745	31,169	18,362	46,145	4,657,845	-33,338
04/30/2023	148	4,610,866	46,979	19,408	66,387	65,161	18,182	46,979	4,610,866	0
05/31/2023	149	4,564,326	46,540	19,212	65,752	64,539	17,998	46,540	4,564,326	0
06/30/2023	150	4,516,962	47,363	19,018	66,381	65,180	17,817	47,363	4,516,962	0
07/31/2023	151	4,470,023	46,939	18,821	65,760	64,571	17,632	46,939	4,470,023	0
08/31/2023	152	4,422,885	47,139	18,625	65,764	64,587	17,449	47,139	4,422,885	0
09/30/2023	153	4,374,940	47,945	18,429	66,373	65,209	17,265	47,945	4,374,940	0
10/31/2023	154	4,327,398	47,542	18,229	65,771	64,620	17,077	47,542	4,327,398	0
11/30/2023	155	4,279,061	48,337	18,031	66,368	65,229	16,892	48,337	4,279,061	0
12/31/2023	156	4,231,111	47,950	17,829	65,779	64,653	16,703	47,950	4,231,111	0
01/31/2024	157	4,182,958	48,153	17,630	65,783	64,669	16,516	48,153	4,182,958	0
02/29/2024	158	4,133,454	49,504	17,429	66,933	65,832	16,328	49,504	4,133,454	0
03/31/2024	159	4,084,887	48,568	17,223	65,791	35,202	16,135	48,568	4,084,887	-29,501
04/30/2024	160	4,035,553	49,334	17,020	66,354	65,279	15,945	49,334	4,035,553	0
05/31/2024	161	3,986,569	48,984	16,815	65,798	64,736	15,753	48,984	3,986,569	0
06/30/2024	162	3,936,832	49,738	16,611	66,348	65,299	15,561	49,738	3,936,832	0
07/31/2024	163	3,887,429	49,403	16,403	65,806	64,770	15,367	49,403	3,887,429	0
08/31/2024	164	3,837,816	49,613	16,198	65,810	64,787	15,174	49,613	3,837,816	0
09/30/2024	165	3,787,467	50,349	15,991	66,340	65,330	14,981	50,349	3,787,467	0
10/31/2024	166	3,737,430	50,037	15,781	65,818	64,821	14,784	50,037	3,737,430	0
11/30/2024	167	3,686,669	50,762	15,573	66,334	65,350	14,589	50,762	3,686,669	0
12/31/2024	168	3,636,204	50,465	15,361	65,826	64,856	14,391	50,465	3,636,204	0
01/31/2025	169	3,585,524	50,679	15,151	65,830	64,873	14,194	50,679	3,585,524	0
02/28/2025	170	3,533,156	52,368	14,940	67,308	66,364	13,996	52,368	3,533,156	0
03/31/2025	171	3,482,039	51,117	14,721	65,839	39,169	13,792	51,117	3,482,039	-25,740
04/30/2025	172	3,430,228	51,811	14,508	66,320	65,403	13,592	51,811	3,430,228	0
05/31/2025	173	3,378,674	51,554	14,293	65,847	64,944	13,390	51,554	3,378,674	0
06/30/2025	174	3,326,438	52,236	14,078	66,314	65,424	13,189	52,236	3,326,438	0
07/31/2025	175	3,274,443	51,995	13,860	65,855	64,980	12,985	51,995	3,274,443	0
08/31/2025	176	3,222,227	52,216	13,644	65,859	64,997	12,782	52,216	3,222,227	0
09/30/2025	177	3,169,349	52,879	13,426	66,305	65,457	12,578	52,879	3,169,349	0
10/31/2025	178	3,116,687	52,662	13,206	65,868	65,033	12,371	52,662	3,116,687	0
11/30/2025	179	3,063,374	53,313	12,986	66,299	65,478	12,166	53,313	3,063,374	0
12/31/2025	180	3,010,262	53,112	12,764	65,876	65,070	11,958	53,112	3,010,262	0
01/31/2026	181	2,956,925	53,338	12,543	65,880	65,088	11,750	53,338	2,956,925	0
02/28/2026	182	2,904,335	52,590	12,321	64,910	64,132	11,542	52,590	2,904,335	0
03/31/2026	183	2,858,031	46,304	12,101	58,405	35,865	11,337	46,304	2,858,031	-21,776
04/30/2026	184	2,811,566	46,465	11,908	58,374	57,622	11,156	46,465	2,811,566	0
05/31/2026	185	2,765,294	46,271	11,715	57,986	57,246	10,975	46,271	2,765,294	0
06/30/2026	186	2,718,448	46,847	11,522	58,369	57,641	10,794	46,847	2,718,448	0
07/31/2026	187	2,671,781	46,667	11,327	57,994	57,278	10,611	46,667	2,671,781	0
08/31/2026	188	2,624,916	46,865	11,132	57,997	57,294	10,429	46,865	2,624,916	0
09/30/2026	189	2,577,493	47,423	10,937	58,361	57,670	10,246	47,423	2,577,493	0
10/31/2026	190	2,530,228	47,265	10,740	58,005	57,326	10,061	47,265	2,530,228	0
11/30/2026	191	2,482,415	47,813	10,543	58,355	57,689	9,877	47,813	2,482,415	0
12/31/2026	192	2,434,746	47,669	10,343	58,012	57,359	9,690	47,669	2,434,746	0
01/31/2027	193	2,386,875	47,871	10,145	58,016	57,375	9,504	47,871	2,386,875	0
02/28/2027	194	2,337,819	49,056	9,945	59,001	58,373	9,317	49,056	2,337,819	0
03/31/2027	195	2,289,536	48,283	9,741	58,024	39,589	9,128	48,283	2,289,536	-17,819
04/30/2027	196	2,240,734	48,802	9,540	58,341	57,739	8,937	48,802	2,240,734	0
05/31/2027	197	2,192,039	48,695	9,336	58,032	57,442	8,747	48,695	2,192,039	0
06/30/2027	198	2,142,837	49,202	9,133	58,336	57,759	8,557	49,202	2,142,837	0
07/31/2027	199	2,093,726	49,111	8,928	58,040	57,478	8,365	49,111	2,093,726	0
08/31/2027	200	2,044,406	49,320	8,724	58,043	57,492	8,173	49,320	2,044,406	0
09/30/2027	201	1,994,597	49,809	8,518	58,327	57,789	7,980	49,809	1,994,597	0
10/31/2027	202	1,944,856	49,741	8,311	58,051	57,526	7,786	49,741	1,944,856	0
11/30/2027	203	1,894,638	50,218	8,104	58,322	57,810	7,592	50,218	1,894,638	0
12/31/2027	204	1,844,473	50,165	7,894	58,059	57,561	7,396	50,165	1,844,473	0
01/31/2028	205	1,794,095	50,378	7,685	58,063	57,578	7,200	50,378	1,794,095	0
02/29/2028	206	1,743,012	51,084	7,475	58,559	58,087	7,003	51,084	1,743,012	0
03/31/2028	207	1,692,203	50,809	7,263	58,071	20,895	6,804	50,809	1,692,203	-36,718
04/30/2028	208	1,640,946	51,256	7,051	58,307	57,862	6,605	51,256	1,640,946	0
05/31/2028	209	1,589,704	51,242	6,837	58,080	57,648	6,405	51,242	1,589,704	0
06/30/2028	210	1,538,026	51,678	6,624	58,301	57,883	6,205	51,678	1,538,026	0
07/31/2028	211	1,486,347	51,679	6,408	58,088	57,683	6,004	51,679	1,486,347	0
08/31/2028	212	1,434,448	51,899	6,193	58,092	57,701	5,802	51,899	1,434,448	0
09/30/2028	213	1,382,132	52,316	5,977	58,293	57,915	5,599	52,316	1,382,132	0
10/31/2028	214	1,329,791	52,341	5,759	58,100	57,737	5,395	52,341	1,329,791	0
11/30/2028	215	1,277,045	52,746	5,541	58,287	57,937	5,191	52,746	1,277,045	0
12/31/2028	216	1,224,257	52,788	5,321	58,109	57,773	4,985	52,788	1,224,257	0
01/31/2029	217	1,171,245	53,012	5,101	58,113	57,791	4,779	53,012	1,171,245	0
02/28/2029	218	1,117,527	53,718	4,880	58,598	58,290	4,572	53,718	1,117,527	0
03/31/2029	219	1,064,062	53,465	4,656	58,121	-5,218	4,362	53,465	1,064,062	-63,045
04/30/2029	220	1,010,224	53,838	4,434	58,271	57,991	4,154	53,838	1,010,224	0
05/31/2029	221	963,737	46,487	4,209	50,696	50,430	3,943	46,487	963,737	0
06/30/2029	222	922,898	40,839	4,016	44,855	44,801	3,762	40,839	922,898	0
07/31/2029	223	882,017	40,881	3,845	44,726	44,483	3,603	40,881	882,017	0
08/31/2029	224	840,963	41,054	3,675	44,729	44,497	3,443	41,054	840,963	0
09/30/2029	225	799,619	41,344	3,504	44,848	44,628	3,283	41,344	799,619	0
10/31/2029	226	758,215	41,404	3,332	44,736	44,525	3,121	41,404	758,215	0
11/30/2029	227	716,531	41,684	3,159	44,843	44,643	2,960	41,684	716,531	0
12/31/2029	228	674,774	41,757	2,986	44,743	44,554	2,797	41,757	674,774	0
01/31/2030	229	632,840	41,934	2,812	44,746	44,568	2,634	41,934	632,840	0
02/28/2030	230	590,468	42,372	2,637	45,009	44,843	2,470	42,372	590,468	0
03/31/2030	231	548,175	42,292	2,460	44,753	-12,591	2,305	42,292	548,175	-57,188





08/31/2044	404	0	0	0	0	0	0	0	0	0	0	0
09/30/2044	405	0	0	0	0	0	0	0	0	0	0	0
10/31/2044	406	0	0	0	0	0	0	0	0	0	0	0
11/30/2044	407	0	0	0	0	0	0	0	0	0	0	0
12/31/2044	408	0	0	0	0	0	0	0	0	0	0	0
01/31/2045	409	0	0	0	0	0	0	0	0	0	0	0
02/28/2045	410	0	0	0	0	0	0	0	0	0	0	0
03/31/2045	411	0	0	0	0	0	0	0	0	0	0	0
04/30/2045	412	0	0	0	0	0	0	0	0	0	0	0
05/31/2045	413	0	0	0	0	0	0	0	0	0	0	0
06/30/2045	414	0	0	0	0	0	0	0	0	0	0	0
07/31/2045	415	0	0	0	0	0	0	0	0	0	0	0
08/31/2045	416	0	0	0	0	0	0	0	0	0	0	0
09/30/2045	417	0	0	0	0	0	0	0	0	0	0	0
10/31/2045	418	0	0	0	0	0	0	0	0	0	0	0
11/30/2045	419	0	0	0	0	0	0	0	0	0	0	0
12/31/2045	420	0	0	0	0	0	0	0	0	0	0	0
01/31/2046	421	0	0	0	0	0	0	0	0	0	0	0
02/28/2046	422	0	0	0	0	0	0	0	0	0	0	0
03/31/2046	423	0	0	0	0	0	0	0	0	0	0	0
04/30/2046	424	0	0	0	0	0	0	0	0	0	0	0
05/31/2046	425	0	0	0	0	0	0	0	0	0	0	0
06/30/2046	426	0	0	0	0	0	0	0	0	0	0	0
07/31/2046	427	0	0	0	0	0	0	0	0	0	0	0
08/31/2046	428	0	0	0	0	0	0	0	0	0	0	0
09/30/2046	429	0	0	0	0	0	0	0	0	0	0	0
10/31/2046	430	0	0	0	0	0	0	0	0	0	0	0
11/30/2046	431	0	0	0	0	0	0	0	0	0	0	0
<b>Sum</b>		<b>11,883,900</b>	<b>5,997,379</b>	<b>17,881,279</b>	<b>16,309,093</b>	<b>5,619,434</b>	<b>11,883,900</b>				<b>-1,194,242</b>	

**TAB 3**



Rural America's Cooperative Bank

**Projection of Cash Flows and Effective Interest Rate**

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projections are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Grayson RECC
Schedule	20.43 Years Matching RUS Principal Repayment
Account Officer	LaDuca
Prepared by:	Darneille
Quote Date	March 2, 2011
Origination Date	December 31, 2010
Amortization Start Date	January 31, 2011
Loan Amount	\$11,883,900
Years to Maturity	20.430
Nominal Interest Rate	4.62%
Estimated Legal Fees (\$)	5,000
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	360
Payment Amount	\$0

Nominal Interest Rate	4.62%
Net Effective Interest Rate	3.86%
Reduction of Interest Rate	0.76%
Patronage Rate	1.00%
% Cash Patronage	65.00%
Initial Capital Purchase Amount	\$0
Target Equity	8.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Avg Loan Balance - 6 years ago	0
Avg Loan Balance - 7 years ago	0
Avg Loan Balance - 8 years ago	0

Borrower: Grayson RECC

Quote Date: March 2, 2011  
 Origination Date: December 31, 2010

Schedule:  
 Effective Interest Rate:

20.43 Years Matching RUS Principal Repayment  
 3.86%

Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	10 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2010	11,883,900	0	5,000	0	0	0	11,878,900	0	0	11,883,900	0	0	0
2011	0	591,782	544,493	0	0	0	-1,136,275	40,679	40,679	11,292,118	11,622,574	1,162,257	92,981
2012	0	622,017	515,451	0	75,547	0	-1,061,921	38,512	79,191	10,670,101	11,003,332	2,262,591	181,007
2013	0	618,377	486,399	0	71,522	0	-1,033,255	36,339	115,529	10,051,724	10,382,447	3,300,835	264,067
2014	0	608,777	457,430	0	67,486	0	-998,721	34,174	149,703	9,442,947	9,764,024	4,277,238	342,179
2015	0	564,288	430,270	0	63,466	0	-931,092	32,145	181,849	8,878,659	9,184,361	5,195,674	415,654
2016	0	589,241	403,285	0	59,698	0	-860,375	30,131	211,980	8,289,418	8,608,847	6,056,559	484,525
2017	0	539,563	376,769	0	55,958	0	-865,804	28,148	240,128	7,749,855	8,042,289	6,860,787	548,863
2018	0	567,168	350,911	0	52,275	0	-871,229	26,216	266,343	7,182,687	7,490,189	7,609,806	608,785
2019	0	596,186	323,729	0	48,686	0	-834,880	24,184	290,528	6,586,501	6,909,842	8,300,791	664,063
2020	0	584,067	295,727	0	44,914	0	-817,458	22,094	312,622	6,002,434	6,312,659	8,932,056	714,565
2021	0	589,906	268,584	0	41,032	0	-817,947	20,064	332,686	5,412,528	5,732,585	8,343,057	667,445
2022	0	614,896	240,313	0	37,262	0	-745,835	17,951	350,637	4,797,632	5,128,971	7,755,621	620,450
2023	0	566,521	212,653	0	33,338	0	-750,932	15,885	366,522	4,231,111	4,538,586	7,171,235	573,699
2024	0	594,907	185,525	0	29,501	0	-757,193	13,860	380,382	3,636,204	3,960,002	6,590,833	527,267
2025	0	625,941	156,991	0	25,740	0	-682,210	11,726	392,108	3,010,262	3,350,171	6,007,414	480,593
2026	0	575,516	128,470	0	21,776	0	-673,932	9,595	401,703	2,434,746	2,741,406	5,420,670	433,654
2027	0	590,273	101,478	0	17,819	0	-656,697	7,578	409,281	1,844,473	2,165,122	4,832,953	386,636
2028	0	620,216	73,199	0	14,073	22,645	-531,215	5,467	392,103	1,224,257	1,561,980	4,240,132	339,211
2029	0	549,483	44,778	0	10,153	52,893	-479,073	3,341	342,552	674,774	954,711	3,644,619	291,570
2030	0	515,627	20,635	0	6,206	50,983	-109,223	1,538	293,107	159,147	439,407	3,057,294	244,584
2031	0	159,147	1,455	0	2,856	48,524	45,922	107	244,691	0	30,647	2,487,100	198,968
2032	0	0	0	0	199	45,723	41,032	0	198,968	0	0	1,974,203	157,936
2033	0	0	0	0	0	41,032	36,309	0	157,936	0	0	1,520,345	121,628
2034	0	0	0	0	0	36,309	31,680	0	121,628	0	0	1,124,344	89,948
2035	0	0	0	0	0	31,680	26,801	0	89,948	0	0	789,327	63,146
2036	0	0	0	0	0	26,801	21,931	0	63,146	0	0	515,187	41,215
2037	0	0	0	0	0	21,931	17,321	0	41,215	0	0	298,674	23,894
2038	0	0	0	0	0	17,321	12,496	0	23,894	0	0	142,477	11,398
2039	0	0	0	0	0	12,496	7,638	0	11,398	0	0	47,005	3,760
2040	0	0	0	0	0	7,638	3,515	0	3,760	0	0	3,065	245
2041	0	0	0	0	0	3,515	245	0	245	0	0	0	0
2042	0	0	0	0	0	245	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
2052	0	0	0	0	0	0	0	0	0	0	0	0	0
2053	0	0	0	0	0	0	0	0	0	0	0	0	0
2054	0	0	0	0	0	0	0	0	0	0	0	0	0
2055	0	0	0	0	0	0	0	0	0	0	0	0	0
2056	0	0	0	0	0	0	0	0	0	0	0	0	0
2057	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	\$11,883,900	\$11,883,900	\$5,623,545	\$0	\$779,507	\$419,735		\$419,735					

**PROMISSORY NOTE AND SUPPLEMENT  
(RUS Refinance)**

**THIS PROMISSORY NOTE AND SUPPLEMENT** (this "Promissory Note and Supplement") to the Master Loan Agreement dated as of November 6, 2003 (as amended or restated, the "MLA") is entered into as of January 12, 2011, between **GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION**, a Kentucky cooperative corporation (the "Company"), and CoBANK, ACB, a federally chartered instrumentality of the United States ("CoBank").

**SECTION 1. The Commitment.** On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$11,883,899.92 (the "Commitment"). CoBank's obligation to make the loan shall expire at 12:00 Noon, Company's local time, on January 14, 2011, or on such later date as CoBank may, in its sole discretion, authorize in writing.

**SECTION 2. Purpose.** The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made by the United States of America (the "Government") to the Company and described on Exhibit A hereto (the "Existing Loan(s)").

**SECTION 3. Availability.** Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company: (A) on a date to be agreed upon by the parties (the "Closing Date"); (B) upon written request of an authorized officer of the Company in form and content prescribed by CoBank (the "Request for Loan"); (C) in a single advance; and (D) by CoBank remitting the proceeds of the loan directly to the Government by wire transfer.

**SECTION 4. Interest.** The Company agrees to pay interest on the unpaid principal balance of the loan in accordance with one or more of the following interest rate options, as selected by the Company:

**(A) Weekly Quoted Variable Rate.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

**(B) Quoted Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 4.62% per annum through the maturity date of May 20, 2031.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to the fixed rate option. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days the loan is outstanding on the basis of a year consisting of 360 days

and shall be payable monthly in arrears by the 20th day of the following and, if requested by CoBank, on the final maturity date of the loan.

**SECTION 5. Loan Origination Fee. (Waived by CoBank.)**

**SECTION 6. Promissory Note.** The Company promises to repay the loan to CoBank or order in accordance with the payment schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay to CoBank or order interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

**SECTION 7. Prepayment.** Subject to the Broken Funding Surcharge provision of the MLA, the Company may prepay the loan in whole or in part. All partial prepayments shall be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

**SECTION 8. Security.** The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

**SECTION 9. Additional Conditions Precedent.** In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank):

(A) **Request for Loan.** A duly completed and executed Request for Loan;

(B) **Payoff Letter.** A payoff letter or spreadsheet from the Government setting forth, as of the Closing Date, the unpaid principal balance of the Existing Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to RUS for or on account of the Existing Loan(s);

(C) **Additional RUS Payment.** Immediately available funds in an amount sufficient to pay all interest accrued on the Existing Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts owing to the Government for or on account of the Existing Loans (the "Additional RUS Payment");

(D) **RUS Mortgage.** A copy of the Company's existing mortgage and security agreement with the Government and the National Rural Utilities Cooperative Finance Corporation ("CFC"), as amended and supplemented to the date hereof (the "Mortgage");

(E) **Evidence of Recordation.** Such evidence as may be acceptable to CoBank that: (1) the Mortgage has been duly recorded in each place required by Law in order to perfect the Lien of the Mortgage on all real property subject to the Lien of the Mortgage; and (2) all taxes and like charges (if any) arising in connection with the Mortgage or the transactions contemplated therein have been paid;

(F) **Existing UCC-1 Financing Statement(s).** A copy of the existing UCC-1 Financing Statement(s) filed by the Government and CFC, acknowledged as having been filed in all places required by Law in order to perfect the Lien of the Mortgage on all personal property subject to the Lien of the Mortgage;

(G) **Supplemental Mortgage.** A duly executed supplemental mortgage and security agreement (the "Supplemental Mortgage") to the Mortgage; and

(H) **Notice to the Government and CFC.** Such evidence as may be satisfactory to CoBank that the Company has notified the Government and CFC of the refinancing (as required by Section 2.02 of the Mortgage).

**SECTION 10. Additional Affirmative Covenants.** In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that:

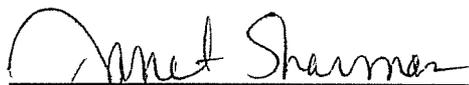
(A) **Discharge of Existing Loans.** If for any reason the funds remitted to the Government are insufficient to discharge all of the Company's obligations to the Government for or on account of the Existing Loan(s), the Company will promptly make such additional payments to Government as may be required to discharge such obligations in full; and

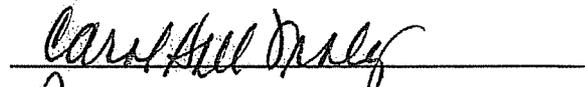
(B) **Post Closing Items.** Within 120 days of the date hereof, the Company will: (1) obtain the Government's and CFC's signatures on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places required by Law in order for the Mortgage, as supplemented by the Supplemental Mortgage, to accord CoBank a duly perfected and recorded Lien on all real property and interests in real property subject to the Mortgage; (3) record a UCC-1 in form and content acceptable to CoBank in each place required by Law in order for the Mortgage, as supplemented by the Supplemental Mortgage, to accord CoBank a duly perfected Lien on all personal property of the Company in which a Lien can be perfected by filing a UCC-1 financing statement; and (4) furnish to CoBank (a) recorded, file-stamped copies of the Supplemental Mortgage showing that it has been recorded in each place required above; (b) a copy of each UCC-1 recorded above, acknowledged as having been filed in all places contemplated above; (c) such evidence as CoBank may reasonably require that there are no Liens on any property of the Company other than Liens permitted by the Mortgage; (d) such evidence as may be satisfactory to CoBank that all taxes and other governmental charges arising from the transactions contemplated hereby or the recording of any security instrument or documents, if any, have been paid; and (e) an opinion of its counsel (which opinion and counsel must be acceptable to CoBank).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to the MLA to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

GRAYSON RURAL ELECTRIC  
COOPERATIVE CORPORATION

By: 

By: 

Title: Assistant Corporate Secretary

Title: President + CEO

**EXHIBIT A****DESCRIPTION OF RUS LOANS TO BE REFINANCED**

The Existing Loan(s) are as follows:

<b>Lender</b>	<b>RUS Loan No.</b>
RUS	1B340
RUS	1B342
RUS	1B350
RUS	1B352
RUS	1B360
RUS	1B362
RUS	1B370
RUS	1B373
RUS	1B380
RUS	1B382
RUS	1B390
RUS	1B392
RUS	1B393
RUS	1B400
RUS	1B403
RUS	1B410
RUS	1B411
RUS	1B412
RUS	1B413
RUS	1B414
RUS	1B420
RUS	1B421
RUS	1B422
RUS	1B423
RUS	1B424
RUS	1B425
RUS	1B427
RUS	1B428
RUS	1B426

## REPAYMENT SCHEDULE

INSTALLMENT DUE DATE	PRINCIPAL AMOUNT DUE
02/20/2011	\$100,003.98
03/20/2011	\$31,983.35
04/20/2011	\$33,614.48
05/20/2011	\$84,806.87
06/20/2011	\$33,885.18
07/20/2011	\$32,542.81
08/20/2011	\$85,888.14
09/20/2011	\$34,292.47
10/20/2011	\$32,965.40
11/20/2011	\$88,546.64
12/20/2011	\$33,252.22
01/20/2012	\$33,393.42
02/20/2012	\$91,085.09
03/20/2012	\$33,689.94
04/20/2012	\$35,272.99
05/20/2012	\$89,229.48
06/20/2012	\$35,557.65
07/20/2012	\$34,278.12
08/20/2012	\$80,684.64
09/20/2012	\$35,986.10
10/20/2012	\$34,722.68
11/20/2012	\$83,092.84
12/20/2012	\$35,024.18
01/20/2013	\$35,172.92
02/20/2013	\$86,962.78
03/20/2013	\$35,490.02
04/20/2013	\$37,022.41
05/20/2013	\$83,731.04
06/20/2013	\$37,321.67
07/20/2013	\$36,108.42
08/20/2013	\$76,633.73
09/20/2013	\$37,772.46
10/20/2013	\$36,576.18
11/20/2013	\$78,692.24
12/20/2013	\$36,893.20
01/20/2014	\$37,049.88
02/20/2014	\$82,361.94
03/20/2014	\$37,382.15
04/20/2014	\$38,861.31
05/20/2014	\$79,304.52
06/20/2014	\$39,175.97
07/20/2014	\$38,032.41
08/20/2014	\$80,316.74
09/20/2014	\$39,650.22
10/20/2014	\$38,524.50
11/20/2014	\$59,259.98
12/20/2014	\$38,857.82
01/20/2015	\$39,022.85

<b>INSTALLMENT DUE DATE</b>	<b>PRINCIPAL AMOUNT DUE</b>
02/20/2015	\$61,641.12
03/20/2015	\$39,371.13
04/20/2015	\$40,794.27
05/20/2015	\$58,555.48
06/20/2015	\$41,125.14
07/20/2015	\$40,054.85
08/20/2015	\$59,306.31
09/20/2015	\$41,624.07
10/20/2015	\$40,572.49
11/20/2015	\$61,296.94
12/20/2015	\$40,923.02
01/20/2016	\$41,096.77
02/20/2016	\$63,247.55
03/20/2016	\$41,456.76
04/20/2016	\$42,821.21
05/20/2016	\$61,626.94
06/20/2016	\$43,169.00
07/20/2016	\$42,175.53
08/20/2016	\$62,416.59
09/20/2016	\$43,693.80
10/20/2016	\$42,720.03
11/20/2016	\$61,728.32
12/20/2016	\$43,088.52
01/20/2017	\$43,271.47
02/20/2017	\$46,844.10
03/20/2017	\$43,654.17
04/20/2017	\$44,956.78
05/20/2017	\$44,030.48
06/20/2017	\$45,322.47
07/20/2017	\$44,409.95
08/20/2017	\$44,598.52
09/20/2017	\$45,874.53
10/20/2017	\$44,982.71
11/20/2017	\$46,247.91
12/20/2017	\$45,370.14
01/20/2018	\$45,562.81
02/20/2018	\$48,922.41
03/20/2018	\$45,964.02
04/20/2018	\$47,201.61
05/20/2018	\$46,359.68
06/20/2018	\$47,586.13
07/20/2018	\$46,758.62
08/20/2018	\$46,957.16
09/20/2018	\$48,166.79
10/20/2018	\$47,361.13
11/20/2018	\$48,559.38
12/20/2018	\$47,768.47
01/20/2019	\$47,971.33
02/20/2019	\$51,107.11
03/20/2019	\$48,392.07
04/20/2019	\$49,561.31

<b>INSTALLMENT DUE DATE</b>	<b>PRINCIPAL AMOUNT DUE</b>
05/20/2019	\$48,808.03
06/20/2019	\$49,965.55
07/20/2019	\$49,227.48
08/20/2019	\$49,436.55
09/20/2019	\$50,576.37
10/20/2019	\$49,861.25
11/20/2019	\$50,989.13
12/20/2019	\$50,289.52
01/20/2020	\$50,503.08
02/20/2020	\$52,508.23
03/20/2020	\$50,940.54
04/20/2020	\$52,037.98
05/20/2020	\$48,264.07
06/20/2020	\$47,021.69
07/20/2020	\$46,353.98
08/20/2020	\$46,550.80
09/20/2020	\$47,596.74
10/20/2020	\$46,950.61
11/20/2020	\$47,985.31
12/20/2020	\$47,353.75
01/20/2021	\$47,554.85
02/20/2021	\$50,204.00
03/20/2021	\$47,969.97
04/20/2021	\$48,975.96
05/20/2021	\$48,381.67
06/20/2021	\$49,376.08
07/20/2021	\$48,796.84
08/20/2021	\$49,004.02
09/20/2021	\$49,980.92
10/20/2021	\$49,424.37
11/20/2021	\$50,389.44
12/20/2021	\$49,848.25
01/20/2022	\$50,059.97
02/20/2022	\$52,476.28
03/20/2022	\$50,495.35
04/20/2022	\$51,430.28
05/20/2022	\$50,928.18
06/20/2022	\$51,850.92
07/20/2022	\$51,364.67
08/20/2022	\$51,582.79
09/20/2022	\$52,487.09
10/20/2022	\$52,024.73
11/20/2022	\$52,916.58
12/20/2022	\$47,279.04
01/20/2023	\$45,747.32
02/20/2023	\$47,894.43
03/20/2023	\$46,144.99
04/20/2023	\$46,979.01
05/20/2023	\$46,540.45
06/20/2023	\$47,363.34
07/20/2023	\$46,939.22

<b>INSTALLMENT DUE DATE</b>	<b>PRINCIPAL AMOUNT DUE</b>
08/20/2023	\$47,138.57
09/20/2023	\$47,944.60
10/20/2023	\$47,542.33
11/20/2023	\$48,337.03
12/20/2023	\$47,949.50
01/20/2024	\$48,153.12
02/20/2024	\$49,503.61
03/20/2024	\$48,567.83
04/20/2024	\$49,333.63
05/20/2024	\$48,983.57
06/20/2024	\$49,737.66
07/20/2024	\$49,402.79
08/20/2024	\$49,612.56
09/20/2024	\$50,348.98
10/20/2024	\$50,037.08
11/20/2024	\$50,761.54
12/20/2024	\$50,465.12
01/20/2025	\$50,679.42
02/20/2025	\$52,368.13
03/20/2025	\$51,117.04
04/20/2025	\$51,811.08
05/20/2025	\$51,554.11
06/20/2025	\$52,235.88
07/20/2025	\$51,994.87
08/20/2025	\$52,215.66
09/20/2025	\$52,878.80
10/20/2025	\$52,661.95
11/20/2025	\$53,312.55
12/20/2025	\$53,111.99
01/20/2026	\$53,337.54
02/20/2026	\$52,589.66
03/20/2026	\$46,303.95
04/20/2026	\$46,465.43
05/20/2026	\$46,271.22
06/20/2026	\$46,846.53
07/20/2026	\$46,666.65
08/20/2026	\$46,864.82
09/20/2026	\$47,423.42
10/20/2026	\$47,265.24
11/20/2026	\$47,812.56
12/20/2026	\$47,669.00
01/20/2027	\$47,871.40
02/20/2027	\$49,055.60
03/20/2027	\$48,283.02
04/20/2027	\$48,801.68
05/20/2027	\$48,695.32
06/20/2027	\$49,202.36
07/20/2027	\$49,111.04
08/20/2027	\$49,319.59
09/20/2027	\$49,809.10
10/20/2027	\$49,740.54

<b>INSTALLMENT DUE DATE</b>	<b>PRINCIPAL AMOUNT DUE</b>
11/20/2027	\$50,218.19
12/20/2027	\$50,165.03
01/20/2028	\$50,378.06
02/20/2028	\$51,083.53
03/20/2028	\$50,808.92
04/20/2028	\$51,256.49
05/20/2028	\$51,242.35
06/20/2028	\$51,677.71
07/20/2028	\$51,679.40
08/20/2028	\$51,898.88
09/20/2028	\$52,315.76
10/20/2028	\$52,341.42
11/20/2028	\$52,745.86
12/20/2028	\$52,787.68
01/20/2029	\$53,011.85
02/20/2029	\$53,718.30
03/20/2029	\$53,465.08
04/20/2029	\$53,837.88
05/20/2029	\$46,487.04
06/20/2029	\$40,839.20
07/20/2029	\$40,880.62
08/20/2029	\$41,054.21
09/20/2029	\$41,343.75
10/20/2029	\$41,404.14
11/20/2029	\$41,683.82
12/20/2029	\$41,756.96
01/20/2030	\$41,934.29
02/20/2030	\$42,372.46
03/20/2030	\$42,292.32
04/20/2030	\$42,546.99
05/20/2030	\$42,652.57
06/20/2030	\$42,897.13
07/20/2030	\$43,015.89
08/20/2030	\$43,198.55
09/20/2030	\$43,427.72
10/20/2030	\$43,566.40
11/20/2030	\$43,785.23
12/20/2030	\$43,937.34
01/20/2031	\$44,123.94
02/20/2031	\$44,358.58
03/20/2031	\$44,499.70
04/20/2031	\$24,344.62
05/20/2031	\$1,820.59
<b>TOTAL</b>	<b>\$11, 883,899.92</b>