CASE NUMBER:
99-268
IN THE MATTER OF THE APPLICATION OF TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION TO BORROW AN ADDITIONAL SUM OF $3,549,000 FROM THE UNITED STATES OF AMERICA AND TO EXECUTE A NOTE FOR SAID AMOUNT AND TO CONCURRENTLY BORROW FROM ITS SUPPLEMENTAL LENDER, COBANK, THE ADDITIONAL SUM OF $1,522,000 AND TO EXECUTE ITS NOTE THEREFOR, SAID NOTES TO BE SECURED BY AN EXISTING COMMON MORTGAGE HERETOFORE EXECUTED

<table>
<thead>
<tr>
<th>SEQ</th>
<th>ENTRY DATE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>06/23/1999</td>
<td>Application.</td>
</tr>
<tr>
<td>0002</td>
<td>06/25/1999</td>
<td>Acknowledgement letter.</td>
</tr>
<tr>
<td>M0001</td>
<td>07/21/1999</td>
<td>ROBERT SPRAGENS TAYLOR CO RECC-RESPONSE TO FILING DEFICIENCIES</td>
</tr>
<tr>
<td>0004</td>
<td>07/22/1999</td>
<td>Deficiencies cured letter</td>
</tr>
<tr>
<td>0005</td>
<td>07/29/1999</td>
<td>Letter to company requesting additional information be filed by 8/12/99.</td>
</tr>
<tr>
<td>M0002</td>
<td>08/04/1999</td>
<td>ROBERT SPRAGENS TAYLOR CO RECC-EXPLANATION TO 300,000.00 DIFFERENCE IN CONSTRUCTION COST</td>
</tr>
<tr>
<td>0006</td>
<td>08/18/1999</td>
<td>FINAL ORDER AUTHORIZING FINANCING</td>
</tr>
<tr>
<td>M0003</td>
<td>01/04/2000</td>
<td>BARRY MYERS TAYLOR CO RECC-LETTER CONCERNING NOTIFYING COMM OF INTEREST RATE PROGRAM</td>
</tr>
</tbody>
</table>
January 3, 2000

Hon. Helen C. Helton, Executive Director  
Public Service Commission  
730 Schenkel Lane  
P. O. Box 615  
Frankfort, KY  40602  

RE: Case No. 99-268

Dear Hon. Helton:

Taylor County R. E. C. C. is aware that it needs to notify the Commission in writing within 10 days of its election of an interest rate program.

Taylor County will select an interest rate program at the time loan funds are drawn from CoBank and will notify the Commission at that time.

Sincerely,

TAYLOR COUNTY RURAL ELECTRIC  
COOPERATIVE CORPORATION

Barry L. Myers, Manager

BLM:pwr
May 16, 2003

Hon. Thomas M. Dorman, Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 99-268

Dear Hon. Dorman:

Taylor County RECC has drawn the $1,522,000 loan from CoBank and fixed the interest rate at 3.93% for three years.

Sincerely,

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Barry L. Myers, Manager

BLM:pwr

enc
CASE NUMBER:
99-268
VII-I-255;37
March 14, 2000

Mr. Barry L. Meyers
Manager
Taylor County R.E.C.C.
100 West Main St.
P.O. Box 100
Campbellsville, KY 42719

Re: Case No. 1999-268
FINAL NOTICE OF NON-COMPLIANCE

Dear Mr. Meyers:

On August 18, 1999, the Commission entered the Final Order in this case. Among other things, this order required Taylor County R.E.C.C. to file in writing, within 10 days of its selection, the interest rate program selected and the reasons for its selection. On December 22, 1999, we mailed you a First Non-Compliance Reminder Letter requesting this filing within 15 days. To date, we still have not received this filing.

You must file these copies not later than 15 days from the date of this letter. Please mail the copies to Martin J. Huelsmann, Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, KY 40602-0615.

If you do not file these copies timely, you will cause the Commission to take appropriate action against you. If you have any questions concerning this letter, please contact Howell Brady, Principal Assistant to the Executive Director, at 502-564-3940, extension 265.

Yours truly,

H. Howell Brady, Jr.
Principal Assistant to the Executive Director

HB/Sc

C: Honorable Robert Spragens
March 16, 2000

Mr. Barry L. Meyers  
Manager  
Taylor County R.E.C.C.  
100 West Main St.  
P.O. Box 100  
Campbellsville, KY 42719

Re. Case No. 1999-268

Dear Mr. Meyers,

Please disregard the Commission's letter sent to you dated March 14, 2000 regarding Final Notice of Non-Compliance of interest rate program selected. The Commission has received this filing and regrets any inconvenience caused to Taylor County R.E.C.C.

Sincerely,

H. Howell Brady, Jr.
Principal Assistant to  
The Executive Director

HHB/lc

C: Honorable Robert Spragens
Mr. Barry L. Meyers  
Manager  
Taylor County R.E.C.C.  
100 West Main St.  
P.O. Box 100  
Campbellsville, KY 42719

Re: Case No. 1999-268  
FINAL NOTICE OF NON-COMPLIANCE

Dear Mr. Meyers:

On August 18, 1999, the Commission entered the Final Order in this case. Among other things, this order required Taylor County R.E.C.C. to file in writing, within 10 days of its selection, the interest rate program selected and the reasons for its selection. On December 22, 1999, we mailed you a First Non-Compliance Reminder Letter requesting this filing within 15 days. To date, we still have not received this filing.

You must file these copies not later than 15 days from the date of this letter. Please mail the copies to Martin J. Huelsmann, Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, KY 40602-0615.

If you do not file these copies timely, you will cause the Commission to take appropriate action against you. If you have any questions concerning this letter, please contact Howell Brady, Principal Assistant to the Executive Director, at 502-564-3940, extension 265.

Yours truly,

H. Howell Brady, Jr.  
Principal Assistant to the Executive Director

C: Honorable Robert Spragens
March 16, 2000

Commonwealth of Kentucky
Public Service Commission
Attention: Hon. Martin J. Huelsman, Executive Director
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Mr. Huelsman:

Re: PSC Case No. 1999-268; Taylor County Rural Electric Cooperative Corporation

Enclosed please find the applicant's further response made consistent with the terms of the August 18, 1999 Commission Order entered herein.

It appears that the Corporation's letter response to a prior Notice of Non-Compliance dated December 22, 1999, either did not reach the Commission, or did not find its way into this file, and I would thus request return to me of a date-stamped copy of the enclosure.

With kind regards I remain,

Very truly yours,

SPRAGENS, SMITH & HIGDON, P.S.C.

[Signature]

Robert Spragens, Jr.

RS:JR:jm
Enclosure
cc: Mr. Barry L. Myers, Manager
APPLICANT'S RESPONSE TO NOTICE OF NON-COMPLIANCE

Applicant, Taylor County Rural Electric Cooperative Corporation, by counsel, for Response to the Commission's Notice dated March 14, 2000, indicating non-compliance with the terms of the Commission's Order entered herein on August 18, 1999, further advises the Commission as follows:

A. The August 18, 1999 Order entered herein requires this applicant, within ten days of its selection of an interest rate program upon loan funds to be drawn consistent with its application filed herein, notify the Commission of such selection.

On December 22, 1999, the Commission forwarded to applicant a reminder of that notification requirement, that reminder coming in the form of correspondence from Stephanie Bell, Secretary to the Commission.

B. On January 3, 2000, Barry L. Myers, applicant's manager, forwarded to the Commission the attached January 3, 2000, correspondence indicating that no interest rate program had been selected inasmuch as no loan funds had been drawn. It would appear, from the Commission's Final Notice of Non-Compliance dated March 14, 2000, that such response from Mr. Myers has not reached the Commission.
C. The undersigned counsel now advises the Commission that, as of the date hereof, applicant still has not been required to draw down any loan proceeds, and it has thus not selected an interest rate program, but will do so based upon prevailing market conditions at the time the first of such loan proceeds are requested. Applicant will then, within ten days, notify the Commission consistent with the prior Orders entered herein.

SPRAGENS, SMITH & HIGDON, P.S.C.
Attorneys at Law
15 Court Square - P. O. Box 681
Lebanon, Kentucky 40033
Telephone (270) 692-3141

[Signature]
Robert Spragens, Jr.
Counsel for Taylor County
Rural Electric Cooperative Corporation
January 3, 2000

Hon. Helen C. Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 99-268

Dear Hon. Helton:

Taylor County R. E. C. C. is aware that it needs to notify the Commission in writing within 10 days of its election of an interest rate program.

Taylor County will select an interest rate program at the time loan funds are drawn from CoBank and will notify the Commission at that time.

Sincerely,

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Barry L. Myers, Manager

BLM:pwr
Mr. Barry L. Meyers  
Manager  
Taylor County R.E.C.C.  
100 West Main St.  
P.O. Box 100  
Campbellsville, KY 42719

Re: Case No. 99-268  
Taylor County R.E.C.C.  
First Reminder Letter

Dear Mr. Meyers:

The Commission entered its Final Order in this case on August 18, 1999. Among other things, the Commission ordered that Taylor County R.E.C.C. should notify the Commission in writing within 10 days of its selection, of the interest rate program selected and the reasons for its selection. This must be filed to fully comply with the Commission’s order. Please make this filing, referencing the case number 99-268.

If you have questions concerning this letter, please contact Howell Brady, Principal Assistant to the Executive Director at 502-564-3940, extension 265. Otherwise, please mail the required filing to Helen C. Helton, Executive Director, Public Service Commission, 730 Schenkel Lane, Post Office Box 615 Frankfort, Kentucky 40602.

Sincerely,

Stephanie Bell  
Secretary to the Commission

C: The Honorable Robert Spragens
IN THE MATTER OF THE APPLICATION OF TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION TO BORROW AN ADDITIONAL SUM OF $3,549,000 FROM THE UNITED STATES OF AMERICA AND TO EXECUTE A NOTE FOR SAID AMOUNT AND TO CONCURRENTLY BORROW FROM ITS SUPPLEMENTAL LENDER, COBANK, THE ADDITIONAL SUM OF $1,522,000 AND TO EXECUTE ITS NOTE THEREFOR, SAID NOTES TO BE SECURED BY AN EXISTING COMMON MORTGAGE HERETOFORE EXECUTED

<table>
<thead>
<tr>
<th>SEQ</th>
<th>ENTRY DATE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>06/23/99</td>
<td>Application.</td>
</tr>
<tr>
<td>0002</td>
<td>06/25/99</td>
<td>Acknowledgement letter.</td>
</tr>
<tr>
<td>M0001</td>
<td>07/21/99</td>
<td>ROBERT SPRAGENS TAYLOR CO RECC-RESPONSE TO FILING DEFICIENCIES</td>
</tr>
<tr>
<td>0004</td>
<td>07/22/99</td>
<td>Deficiencies cured letter</td>
</tr>
<tr>
<td>0005</td>
<td>07/29/99</td>
<td>Letter to company requesting additional information be filed by 8/12/99.</td>
</tr>
<tr>
<td>M0002</td>
<td>08/04/99</td>
<td>ROBERT SPRAGENS TAYLOR CO RECC-EXPLANATION TO 300,000.00 DIFFERENCE IN CONSTRUCTION COST</td>
</tr>
<tr>
<td>0006</td>
<td>08/18/99</td>
<td>FINAL ORDER AUTHORIZING FINANCING</td>
</tr>
</tbody>
</table>
CERTIFICATE OF SERVICE

RE: Case No. 99-268
TAYLOR COUNTY R.E.C.C.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on August 18, 1999.

Parties of Record:

Barry L. Myers
Manager
Taylor County R.E.C.C.
100 West Main Street
P. O. Box 100
Campbellsville, KY. 42719

Honorable Robert Spragens
Attorney at Law
Spragens, Smith & Higdon, P.S.C.
15 Court Square
P. O. Box 681
Lebanon, KY. 40033

[Signature]
Secretary of the Commission

SB/sa
Enclosure
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION TO BORROW AN ADDITIONAL SUM OF $3,549,000 FROM THE UNITED STATES OF AMERICA AND TO EXECUTE A NOTE FOR SAID AMOUNT AND TO CONCURRENTLY BORROW FROM ITS SUPPLEMENTAL LENDER, COBANK, THE ADDITIONAL SUM OF $1,522,000 AND TO EXECUTE ITS NOTE THEREFOR, SAID NOTES TO BE SECURED BY AN EXISTING COMMON MORTGAGE HERETOFORE EXECUTED

ORDER

On July 21, 1999, Taylor County Rural Electric Cooperative Corporation ("Taylor County") applied for authority to issue notes in the amount of $1,522,000 to CoBank. Taylor County intends to use the proceeds of these notes to finance the projects contained in its 1998-2000 Work Plan, which the Commission has previously approved. CoBank approved a loan in the amount of $1,522,000 on June 10, 1999.

---

In addition to funding from CoBank, Taylor County received approval for $3,549,000 in loans from the Rural Utilities Service ("RUS"), on June 1, 1999.²

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The loan from CoBank in the amount of $1,522,000 is for lawful objects within the corporate purposes of Taylor County, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary and appropriate for such purposes.

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

3. Taylor County should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Taylor County should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Taylor County application.

² The loan requests to RUS and CoBank represent the first part of a two-part financing program for the 1998-2000 Work Plan. The first part financing totals $5,071,000, of which the CoBank loan represents 30 percent. In addition, the total cost of the 1998-2000 Work Plan was reduced to $7,272,000, as RUS required that the original cost of poles scheduled for replacement in the Work Plan be deducted from the total cost.

-2-
6. Taylor County should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the RUS is an agency of the federal government, no action on Taylor County's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Taylor County is authorized to borrow $1,522,000 from CoBank for a 35-year period and bearing a variable rate depending upon maturity elections, as chosen by Taylor County at the time the first monies are drawn from CoBank, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

2. Taylor County is authorized to execute its notes as security for the loan authorized herein.

3. Taylor County shall comply with all matters set out in Findings 3 through 7 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.
Done at Frankfort, Kentucky, this 18th day of August, 1999.

By the Commission

ATTEST:

[Signature]

Executive Director
July 30, 1999

Commonwealth of Kentucky
Public Service Commission
Attention: Hon. William L. Willis, General Counsel
P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Bill:

Re: Case No. 99-268
Taylor County Rural Electric Cooperative Corporation

This will acknowledge receipt of yours of July 29th in which you ask for an explanation for the $300,000.00 difference between anticipated construction costs and the financing sought to pay for that construction.

I have passed your inquiry along to John Patterson at Taylor County RECC, and enclose herewith John's explanation to me. I trust that this explanation will be sufficient for purposes of the members of the Staff who are reviewing this application, but will be pleased to provide further information should that be deemed necessary.

With kind regards I remain,

Very truly yours,

SPRAGENS, SMITH & HIGDON, P.S.C.

Robert Spragens, Jr.

Enclosure

cc: Mr. John Patterson, Office Manager
Taylor County RECC
Rob:

In the Work Plan the cost of Pole Replacements was $1,200,000. For financing RUS required that the original cost of the poles retired be deducted this amount was $300,000. This is the difference between the work plan and the financing. If you need more info let me know.

John
July 29, 1999

Honorable Robert Spragens
Attorney at Law
Spragens, Smith & Higdon, P.S.C.
15 Court Square
P. O. Box 681
Lebanon, Kentucky 40033

RE: Case No. 99-268
Taylor County Rural Electric Cooperative Corporation

Dear Mr. Spragens:

During the review of Taylor County’s application for Commission approval of financing from the Rural Utilities Service and CoBank, the Commission Staff noted that the total amount of the 2-part financing shown in Exhibit F is $7,272,000. When the Commission approved Taylor County’s most recent 3-year Work Plan in Case No. 98-119, the total amount of construction was stated to be $7,571,749.

In order to complete the processing of Taylor County’s application, please provide an explanation of why there is a difference between the total Work Plan cost and the total financing. Please provide this information within 14 days of the day of this letter. If you have any questions concerning this request, please contact Isaac Scott of the Commission Staff at (502) 564-3940, extension 444.

Sincerely,

William Willis
General Counsel

cc: Main Case File
Barry L. Myers  
Manager  
Taylor County R.E.C.C.  
100 West Main Street  
P. O. Box 100  
Campbellsville, KY. 42719

Honorable Robert Spragens  
Attorney at Law  
Spragens, Smith & Higdon, P.S.C.  
15 Court Square  
P. O. Box 681  
Lebanon, KY. 40033

RE: Case No. 99-268  
TAYLOR COUNTY R.E.C.C.

The Commission staff has reviewed your response of July 21, 1999 and has determined that your application in the above case now meets the minimum filing requirements set by our regulations. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further information, please contact my staff at 502/564-3940.

Sincerely,

Stephanie Bell  
Secretary of the Commission

SB/hv  
Enclosure
June 22, 1999

Hon. Helen C. Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

Dear Hon. Helton:

Enclosed is an original and ten copies of an application of Taylor County R.E.C.C. borrowing $3,549,000.00 from RUS and $1,522,000.00 from CoBank.

Also enclosed is an additional copy of the application. Please stamp as received and return and advise of the case number assigned.

Sincerely,

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Barry L. Myers, Manager

JFP:pwr

Enc.
July 20, 1999

Commonwealth of Kentucky
Public Service Commission
730 Schenkel Lane
Post Office Box 615
Frankfort, Kentucky 40602

Attn: Stephanie Bell
Secretary of the Commission

Dear Ms. Bell:

Re: Case No. 99-268
Filing deficiencies

In response to yours of July 12, 1999 referable to the above, please find five copies of a supplemental filing which provides the additional information requested.

With kind regards, I remain;

Very truly yours,

SPRAGENS, SMITH & HIGDON, P.S.C.

[Signature]

Robert Spragens, Jr.

RS, JR: jm
Enclosures
cc: Barry Myers
APPLICANT'S RESPONSE TO NOTICE OF FILING DEFICIENCIES

Applicant, Taylor County Rural Electric Cooperative Corporation, by counsel, for response to the Commission's notice of July 12, 1999, of certain filing deficiencies herein, and by way of supplementation of the original application filed in its behalf, further advises the commission as follows:

A: Description of terms, including interest rate(s), of indebtedness;

The RUS loan described in the application is made for a term of thirty-five years, and bears interest, from time to time, at the prevailing municipal rate. That municipal rate is adjusted quarterly, with a 7% cap. Applicant has the opportunity to lock in a fixed rate depending upon the date of maturity chosen, and at the present time, the prevailing rate upon indebtedness maturing in the year 2000 would equal 3.15%; while
the prevailing rate for indebtedness maturing in the year 2020 or later is 5.125%.

The Cobank loan is likewise for a term of thirty-five years, with a variable rate of interest depending upon maturity elections. The current Cobank interest rate as of July 16, 1999, is 5.92%.

B: Statement of use of loan proceeds;

Specific applications of the loan proceeds are set forth in exhibit F to the application (RUS form 741); and on RUS form 740 C provided as a part of Applicant's related filing before this commission made under case number 98-119.

SPRAGENS, SMITH & HIGDON, P.S.C.
Attorneys at Law
15 Court Square - P.O. Box 681
Lebanon, Kentucky 40033
Telephone (502) 692-3141

[Signature]
Attorney for Taylor County Rural Electric Corporation
Mr. Barry L. Myers  
Manager  
Taylor County R.E.C.C.  
100 West Main Street  
P.O. Box 100  
Campbellsville, KY 42719

Honorable Robert Spragens  
Attorney at Law  
Spragens, Smith & Higdon, P.S.C.  
15 Court Square  
P.O. Box 681  
Lebanon, KY 40022

Re: Case No. 99-268  
Filing Deficiencies

Gentlemen:

The Commission staff has conducted an initial review of your filing in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, as it is deficient in certain filing requirements. The items listed below are either required to be filed with the application or must be referenced if they are already on file in another case or will be filed at a later date.

Filing deficiencies pursuant to 807 KAR 5:001, Section 11(1) (b):

If Bonds or Notes or other indebtedness is proposed:

- Full description of all terms
- Interest rate(s)
Filing deficiencies pursuant to 807 KAR 5:001, Section 11(1)(c):

Statement of how proceeds are to be used. Should show amounts for each type of use (i.e., property, debt refunding, etc.)

The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. You are requested to file five copies of this information within ten days of this letter. If you need further information, please contact Isaac Scott of my staff at 502-564-3940, extension 444.

Sincerely,

Stephanie Bell
Secretary of the Commission

sh
June 25, 1999

Barry L. Myers
Manager
Taylor County R.E.C.C.
100 West Main Street
P. O. Box 100
Campbellsville, KY. 42719

Honorable Robert Spragens
Attorney at Law
Spragens, Smith & Higdon, P.S.C.
15 Court Square
P. O. Box 681
Lebanon, KY. 40033

RE: Case No. 99-268
TAYLOR COUNTY R.E.C.C.
(Financing)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received June 23, 1999 and has been assigned Case No. 99-268. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie Bell
Secretary of the Commission

SB/jc
June 22, 1999

Hon. Helen C. Helton, Executive Director  
Public Service Commission  
730 Schenkel Lane  
P. O. Box 615  
Frankfort, KY 40602

Dear Hon. Helton:

Enclosed is an original and ten copies of an application of Taylor County R.E.C.C. borrowing $3,549,000.00 from RUS and $1,522,000.00 from CoBank.

Also enclosed is an additional copy of the application. Please stamp as received and return and advise of the case number assigned.

Sincerely,

TAYLOR COUNTY RURAL ELECTRIC  
COOPERATIVE CORPORATION  

Barry L. Myers, Manager  
JFP.pwr  
Enc.
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION TO BORROW AN ADDITIONAL SUM OF $3,549,000 FROM THE UNITED STATES OF AMERICA AND TO EXECUTE A NOTE FOR SAID AMOUNT AND TO CONCURRENTLY BORROW FROM ITS SUPPLEMENTAL LENDER, COBANK, THE ADDITIONAL SUM OF $1,522,000 AND TO EXECUTE ITS NOTE THEREFOR, SAID NOTES TO BE SECURED BY AN EXISTING COMMON MORTGAGE HERETOFORE EXECUTED

APPLICATION

Applicant, Taylor County Rural Electric Cooperative Corporation, acting pursuant to the provisions of Chapter 278 of the Kentucky Revised Statues, and all other applicable statutory provisions and regulations promulgated thereunder, respectfully states:

1. That it is a corporation organized and existing under laws of the State of Kentucky, with power to contract and be contracted with, sue and be sued in its corporate name and as such empowered and authorized to acquire, own, construct and operate electric plants, to manufacture, purchase and sell electric current, to acquire franchises, certificates of convenience and necessity, to acquire, construct and maintain distribution systems for electric

1
current and carry on a general electrical business and borrow money under an Act of Congress known as the Rural Electrification Act of 1936, as amended; that it now operates and does business in the Counties of Adair, Casey, Green and Taylor; and the cost of Applicant's fixed assets being referred to in one of its attached financial Exhibits.

2. That the Post Office address of the Applicant is P.O. Box 100, West Main Street, Campbellsville, Kentucky 42719.

3. That the Applicant is legally entitled, through Application made to the Rural Utilities Service, to borrow funds from and through that agency of the United States of America; and the Applicant is further entitled, pursuant to the Farm Credit Act of 1971, to borrow funds from supplemental lenders, specifically, CoBank; all contingent upon the execution of requisite documentation and the furnishing of adequate security for the repayment of such indebtedness.

4. That it has been previously authorized by the Public Service Commission of Kentucky to Borrow from the United States of America $179,000 of date September 20, 1938; $151,000 of date February 10, 1939; $64,000 of date June 30, 1939; $50,000 of date June 5, 1945; $300,000 of date March 15, 1946; $410,000 of date January 22, 1947; $560,000 of date November 26, 1947; $640,000 of date February 5, 1949; $320,000 of date December 21, 1950; $182,559.06 of date April 30, 1953; $385,000 of date December 28, 1954; $625,000 of date June 7, 1957; $673,446.01 of date June 16, 1959; $773,553.99 of date June 18, 1962; $1,743,000 of date August 3, 1979;
$1,323,000 of date October 30, 1981; $1,750,000 of date December 1, 1983; $1,349,000 of date July 30, 1986; $2,150,000 of date January 12, 1990; and $2,334,000 of date June 15, 1993; and $4,479,000 of date April 26, 1995; and from CoBank (formerly Louisville Bank for Cooperatives and National Bank for Cooperatives) $747,000 of date August 3, 1979; $567,000 of date October 30, 1981; $750,000 of date July 1, 1983; $578,000 of date July 30, 1986; $921,000 of date January 12, 1990; and $1,000,000 of date June 15, 1993; and $1,919,000 of date April 26, 1995; and it now desires to borrow an additional sum of $3,549,000 from the United States of America and an additional sum of $1,522,000 from CoBank as a concurrent loan and to execute its notes therefor which are to be secured by the Common Mortgage of date October 14, 1959, and the Supplemental Mortgage and Security Agreement dated October 14, 1959, all of which sums will be used for the purpose of making improvements to its plant and extension in its existing system as set forth within that work plan approved by this Commission in Case No. 98-1 19.

5. That it is a cooperative membership corporation which has not and will not in the future offer, sell or solicit subscriptions for capital stock of any class. Accordingly, the Applicant has never, during the term of its existence, paid any dividends upon capital stock, and does not intend in the future to do so. Its Articles of Incorporation and amendments thereto have been filed before this Commission as recently as in Case No. 92-080; and this application for
those extensions of credit for which approval is sought herein have been approved and directed by the Applicant's Board of Directors, such approval including authorization for the further execution of documents, including mortgages and like encumbrances, which ultimately secure the additional borrowing by the Applicant as proposed herein.

6. Applicant's real properties (with one exception) upon which there are situated all of Applicant's facilities and operations include those tracts from which title has been derived by means of those separate deeds of conveyance set forth as an Exhibit filed in Case No. 93-292 before this Commission, that matter having been a prior application seeking approval of certain borrowing. As a part of that same proceeding, the Applicant filed as an Exhibit certain Mortgages made to the United States of America in which the exact legal descriptions of the Applicant's properties then owned is set forth; and it likewise referenced therein certain off conveyances made with respect to properties originally acquired by this Applicant. Applicant thus incorporates by reference herein the Exhibits filed in Case No 93-292 as descriptive of its real estate holdings, and the existing mortgages encumbering same, and further advises the Commission that, since the filings in Case No. 93-292, this Applicant has acquired, by Deed dated November 19, 1997, a small tract of 1.232 acres located in Green County, Kentucky, that property having been purchased for the sum of $3,500.00 in cash, and a true copy of that Deed of conveyance, together with the attached legal description and accompanying
plát, being attached hereto as Exhibit AA. Applicant thus advises the Commission that its subject real properties would be utilized in order to secure additional advances in the event that the loan authority sought herein is granted, and that its recently-acquired Green County, Kentucky tract would likewise become subject to the encumbrance created by a new Mortgage made to the United States of America.

7. Applicant also filed, as a part of Case No. 93-292 before this Commission, an Exhibit which set forth its recorded costs of all of its subject real estate then owned, and that number continues to be accurate. Accordingly, Applicant's basis in its real property is now modified only to the extent of the $3,500.00 purchase of the Green County, Kentucky real estate described in the preceding paragraph.

8. Applicant files herewith of the following financial Exhibits:

EXHIBIT A: Comparative Balance Sheet, 4-30-98 and 4-30-99;
EXHIBIT B: Statement of Operations, 4-30-99;
EXHIBIT C: Schedule of Long Term Debt as of 4-30-99.
EXHIBIT E: Original Cost of Plant.

9. Applicant has, on or about June 1, 1999, received from the Rural Utilities Service preliminary approval of those loan arrangements for which regulatory approval is hereby sought, and a photocopy of such preliminary letter of approval being filed herewith as EXHIBIT D. Applicant would further point out that its subject application for financing made to RUS and CoBank was made
for the total sum of $7,272,000 as per RUS Form 741 dated August 4, 1998 and attached hereto as EXHIBIT F. That EXHIBIT F correctly reflects that RUS has determined that the Applicant's financing arrangements will be handled upon a two-part basis, with part one thereof having been approved by the subject notification from RUS, EXHIBIT D. Applicant thus expects, at a later date, to make further application for approval of the second part of that financing arrangements as evidenced by EXHIBIT F; and that the total of such borrowed funds in the amount of $7,272,000 will be utilized toward completion of its work plan.

WHEREFORE, Applicant, Taylor County Rural Electric Cooperative Corporation, prays that, consistent with both this Application and the Application made and approved in Case No. 98-199 by means of which this Applicant has been granted certification and approval of its work plan, the Commission concur in the extension of the indebtedness to the United States of America by an additional sum of $3,549,000, and that the Commission specifically grant approval and authorization for Applicant to make additional borrowings from CoBank in the sum of $1,522,000 as a concurrent loan; and that the Applicant be authorized to execute its notes for such additional sums as are to be secured by the Common Mortgage and the Supplemental Mortgages which have been heretofore executed, recorded, and filed with this Commission.
The affiant, BARRY MYERS, says that he is the Manager of Taylor County Rural Electric Cooperative Corporation and that the statements made in the above Applications are true.

STATE OF KENTUCKY
COUNTY OF TAYLOR

The foregoing instrument was subscribed and sworn to before me by BARRY MYERS, Manager of the Taylor County Rural Electric Cooperative Corporation, this 21st day of June, 1999.

My Commission expires: 3/4/01

NOTARY PUBLIC, KY. STATE AT LARGE
TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719

BALANCE SHEET
APRIL 30, 1999

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>APRIL 30, 1999</th>
<th>APRIL 30, 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Plant:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Service</td>
<td>$36,650,414</td>
<td>$34,499,167</td>
</tr>
<tr>
<td>Construction Work In Progress</td>
<td>118,991</td>
<td>53,256</td>
</tr>
<tr>
<td></td>
<td>36,769,405</td>
<td>34,552,423</td>
</tr>
<tr>
<td>Accumulated Provision for Depreciation</td>
<td>6,435,776</td>
<td>5,879,550</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Utility Plant</td>
<td>30,333,629</td>
<td>28,672,873</td>
</tr>
<tr>
<td>Investments In Associated Organizations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patronage Capital</td>
<td>3,619,599</td>
<td>3,619,599</td>
</tr>
<tr>
<td>Capital Stock and Other</td>
<td>471,997</td>
<td>433,388</td>
</tr>
<tr>
<td>Other Investments</td>
<td>7,400</td>
<td>7,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>4,098,996</td>
<td>4,060,387</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and Accrued Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash - General Funds</td>
<td>815,853</td>
<td>639,124</td>
</tr>
<tr>
<td>Special Deposits</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Temporary investments</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Accounts Receivable - Net</td>
<td>496,220</td>
<td>574,400</td>
</tr>
<tr>
<td>Material and Supplies</td>
<td>453,302</td>
<td>447,217</td>
</tr>
<tr>
<td>Prepayments</td>
<td>94,580</td>
<td>92,411</td>
</tr>
<tr>
<td>Other Current and Accrued Assets</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Current and Accrued Assets</td>
<td>1,860,008</td>
<td>1,753,205</td>
</tr>
<tr>
<td>Deferred Debits</td>
<td>44,749</td>
<td>70,887</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$36,337,382</td>
<td>$34,557,352</td>
</tr>
<tr>
<td>Member's Equity:</td>
<td>April 30, 1999</td>
<td>April 30, 1998</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Memberships</td>
<td>$294,205</td>
<td>$284,965</td>
</tr>
<tr>
<td>Patronage Capital</td>
<td>12,349,064</td>
<td>10,860,714</td>
</tr>
<tr>
<td>Operating Margins - Current Year</td>
<td>863,212</td>
<td>945,821</td>
</tr>
<tr>
<td>Non Operating Margins</td>
<td>1,528,789</td>
<td>1,456,864</td>
</tr>
<tr>
<td>Other Margins and Equities</td>
<td>64,633</td>
<td>63,673</td>
</tr>
<tr>
<td>Total Margins and Equities</td>
<td>15,099,903</td>
<td>13,612,037</td>
</tr>
<tr>
<td>Long Term Debt:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RUS</td>
<td>13,177,379</td>
<td>13,464,534</td>
</tr>
<tr>
<td>CoBank</td>
<td>4,866,864</td>
<td>4,987,825</td>
</tr>
<tr>
<td>Total Long Term Debt</td>
<td>18,044,243</td>
<td>18,452,359</td>
</tr>
<tr>
<td>Accumulated Operating Provisions</td>
<td>1,347,808</td>
<td>1,284,229</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>600,000</td>
<td>0</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>108,097</td>
<td>127,443</td>
</tr>
<tr>
<td>Consumer Deposits</td>
<td>632,425</td>
<td>619,798</td>
</tr>
<tr>
<td>Other Current and Accrued Liabilities</td>
<td>247,828</td>
<td>206,199</td>
</tr>
<tr>
<td>Total Current and Accrued Liabilities</td>
<td>1,588,350</td>
<td>953,440</td>
</tr>
<tr>
<td>Deferred Credits</td>
<td>257,078</td>
<td>255,287</td>
</tr>
<tr>
<td><strong>Total Member's Equity and Liabilities</strong></td>
<td><strong>$36,337,382</strong></td>
<td><strong>$34,557,352</strong></td>
</tr>
</tbody>
</table>
TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719

STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED APRIL 30, 1999 AND APRIL 30, 1998

<table>
<thead>
<tr>
<th>12 MONTH ENDED</th>
<th>APRIL 30, 1999</th>
<th>APRIL 30, 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$19,272,239</td>
<td>$17,731,343</td>
</tr>
<tr>
<td>Purchased Power</td>
<td>12,028,896</td>
<td>11,386,016</td>
</tr>
<tr>
<td>Operation Expense</td>
<td>1,057,215</td>
<td>809,988</td>
</tr>
<tr>
<td>Maintenance Expense</td>
<td>1,043,103</td>
<td>875,827</td>
</tr>
<tr>
<td>Customer Accounts Expense</td>
<td>598,344</td>
<td>500,772</td>
</tr>
<tr>
<td>Customer Service &amp; Info</td>
<td>55,628</td>
<td>37,130</td>
</tr>
<tr>
<td>Administrative &amp; General</td>
<td>911,658</td>
<td>1,106,709</td>
</tr>
<tr>
<td>Total Operation &amp; Maint</td>
<td>15,694,844</td>
<td>14,716,442</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,041,274</td>
<td>989,897</td>
</tr>
<tr>
<td>Tax Exp Property</td>
<td>0</td>
<td>145,681</td>
</tr>
<tr>
<td>Tax Exp Other</td>
<td>22,340</td>
<td>92,806</td>
</tr>
<tr>
<td>Interest Long Term Debt</td>
<td>974,775</td>
<td>942,388</td>
</tr>
<tr>
<td>Other Interest</td>
<td>49,562</td>
<td>92,826</td>
</tr>
<tr>
<td>Total Cost Electric Service</td>
<td>17,782,795</td>
<td>16,980,040</td>
</tr>
<tr>
<td>Patron Cap &amp; Operating Margin</td>
<td>1,489,444</td>
<td>751,303</td>
</tr>
<tr>
<td>Non Operating Margin Interest</td>
<td>11,628</td>
<td>10,670</td>
</tr>
<tr>
<td>Non operating Margin Other</td>
<td>(11,515)</td>
<td>23</td>
</tr>
<tr>
<td>G &amp; T Capital Credit</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Capital Credit</td>
<td>53,489</td>
<td>53,035</td>
</tr>
<tr>
<td>MARGINS</td>
<td>$1,543,046</td>
<td>$815,031</td>
</tr>
</tbody>
</table>
### TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

**LONG TERM DEBT**

FOR THE YEAR ENDED APRIL 30, 1999

---

<table>
<thead>
<tr>
<th>NOTE</th>
<th>INTEREST RATE</th>
<th>DATE</th>
<th>ORIGINAL BALANCE</th>
<th>INTEREST ACCRUED</th>
<th>INTEREST PAYMENT</th>
<th>04/30/99 BALANCE</th>
<th>MATURED DATE</th>
<th>INTEREST ENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>4010</td>
<td>2%</td>
<td>09/20/38</td>
<td>179,000</td>
<td>0</td>
<td>179,000.00</td>
<td>0.00</td>
<td>08/09/55</td>
<td>0.00</td>
</tr>
<tr>
<td>4020</td>
<td>2%</td>
<td>02/10/39</td>
<td>151,000</td>
<td>0</td>
<td>151,000.00</td>
<td>0.00</td>
<td>08/08/55</td>
<td>0.00</td>
</tr>
<tr>
<td>4030</td>
<td>2%</td>
<td>08/30/39</td>
<td>64,000</td>
<td>0</td>
<td>64,000.00</td>
<td>0.00</td>
<td>10/12/59</td>
<td>0.00</td>
</tr>
<tr>
<td>4040</td>
<td>2%</td>
<td>06/05/45</td>
<td>50,000</td>
<td>0</td>
<td>50,000.00</td>
<td>0.00</td>
<td>10/12/59</td>
<td>0.00</td>
</tr>
<tr>
<td>4050</td>
<td>2%</td>
<td>03/15/46</td>
<td>300,000</td>
<td>0</td>
<td>300,000.00</td>
<td>0.00</td>
<td>10/12/59</td>
<td>0.00</td>
</tr>
<tr>
<td>4060</td>
<td>2%</td>
<td>01/22/47</td>
<td>410,000</td>
<td>0</td>
<td>410,000.00</td>
<td>0.00</td>
<td>11/25/60</td>
<td>0.00</td>
</tr>
<tr>
<td>4070</td>
<td>2%</td>
<td>11/26/47</td>
<td>560,000</td>
<td>0</td>
<td>560,000.00</td>
<td>0.00</td>
<td>02/28/62</td>
<td>0.00</td>
</tr>
<tr>
<td>4080</td>
<td>2%</td>
<td>02/05/49</td>
<td>640,000</td>
<td>0</td>
<td>640,000.00</td>
<td>0.00</td>
<td>01/28/63</td>
<td>0.00</td>
</tr>
<tr>
<td>4090</td>
<td>2%</td>
<td>12/21/50</td>
<td>320,000</td>
<td>0</td>
<td>320,000.00</td>
<td>0.00</td>
<td>12/21/85</td>
<td>0.00</td>
</tr>
<tr>
<td>4100</td>
<td>2%</td>
<td>04/30/53</td>
<td>182,559</td>
<td>0</td>
<td>182,559.00</td>
<td>0.00</td>
<td>04/30/88</td>
<td>0.00</td>
</tr>
<tr>
<td>4110</td>
<td>2%</td>
<td>12/28/54</td>
<td>385,000</td>
<td>0</td>
<td>385,000.00</td>
<td>0.00</td>
<td>12/28/89</td>
<td>0.00</td>
</tr>
<tr>
<td>4120</td>
<td>2%</td>
<td>06/07/54</td>
<td>625,000</td>
<td>0</td>
<td>625,000.00</td>
<td>0.00</td>
<td>06/07/92</td>
<td>0.00</td>
</tr>
<tr>
<td>4130</td>
<td>2%</td>
<td>06/16/59</td>
<td>673,446</td>
<td>0</td>
<td>673,446.00</td>
<td>0.00</td>
<td>06/16/94</td>
<td>0.00</td>
</tr>
<tr>
<td>4131</td>
<td>2%</td>
<td>06/18/62</td>
<td>733,554</td>
<td>0</td>
<td>733,554.00</td>
<td>0.00</td>
<td>06/18/97</td>
<td>0.00</td>
</tr>
<tr>
<td>1B140</td>
<td>5%</td>
<td>09/28/79</td>
<td>871,500</td>
<td>0</td>
<td>283,846.81</td>
<td>587,853.19</td>
<td>09/28/14</td>
<td>29,683.74</td>
</tr>
<tr>
<td>1B142</td>
<td>5%</td>
<td>09/28/79</td>
<td>871,500</td>
<td>0</td>
<td>283,846.81</td>
<td>587,853.19</td>
<td>09/28/14</td>
<td>29,683.74</td>
</tr>
<tr>
<td>1B150</td>
<td>5%</td>
<td>01/07/82</td>
<td>661,500</td>
<td>0</td>
<td>175,141.71</td>
<td>486,358.29</td>
<td>01/07/17</td>
<td>24,707.22</td>
</tr>
<tr>
<td>1B152</td>
<td>5%</td>
<td>01/07/82</td>
<td>661,500</td>
<td>0</td>
<td>175,141.71</td>
<td>486,358.29</td>
<td>01/07/17</td>
<td>24,707.22</td>
</tr>
<tr>
<td>1B160</td>
<td>5%</td>
<td>12/01/83</td>
<td>875,000</td>
<td>0</td>
<td>191,742.12</td>
<td>683,257.88</td>
<td>12/01/18</td>
<td>34,718.91</td>
</tr>
<tr>
<td>1B162</td>
<td>5%</td>
<td>12/01/83</td>
<td>875,000</td>
<td>0</td>
<td>191,742.12</td>
<td>683,257.88</td>
<td>12/01/18</td>
<td>34,718.91</td>
</tr>
<tr>
<td>1B170</td>
<td>5%</td>
<td>10/18/86</td>
<td>674,500</td>
<td>0</td>
<td>113,520.16</td>
<td>560,979.84</td>
<td>10/18/21</td>
<td>28,418.45</td>
</tr>
<tr>
<td>1B173</td>
<td>5%</td>
<td>10/18/86</td>
<td>674,500</td>
<td>0</td>
<td>97,731.67</td>
<td>576,788.33</td>
<td>10/18/21</td>
<td>29,216.64</td>
</tr>
<tr>
<td>1B180</td>
<td>5%</td>
<td>03/01/90</td>
<td>1,075,000</td>
<td>0</td>
<td>111,353.25</td>
<td>963,646.75</td>
<td>03/01/25</td>
<td>48,680.32</td>
</tr>
<tr>
<td>1B182</td>
<td>5%</td>
<td>03/01/90</td>
<td>1,075,000</td>
<td>0</td>
<td>111,353.25</td>
<td>963,646.75</td>
<td>03/01/25</td>
<td>48,680.32</td>
</tr>
<tr>
<td>1B190</td>
<td>5%</td>
<td>06/15/93</td>
<td>1,167,000</td>
<td>0</td>
<td>55,156.49</td>
<td>1,111,867.51</td>
<td>10/28/28</td>
<td>56,045.70</td>
</tr>
<tr>
<td>1B195</td>
<td>5%</td>
<td>06/15/93</td>
<td>917,000</td>
<td>0</td>
<td>43,340.60</td>
<td>873,659.40</td>
<td>10/28/28</td>
<td>44,039.35</td>
</tr>
<tr>
<td>1B196</td>
<td>5%</td>
<td>06/15/93</td>
<td>250,000</td>
<td>0</td>
<td>11,815.89</td>
<td>238,184.11</td>
<td>10/28/28</td>
<td>12,006.35</td>
</tr>
<tr>
<td>1B200 MUNICIPAL</td>
<td>04/26/95</td>
<td>1,400,000</td>
<td>38,697.30</td>
<td>1,361,302.70</td>
<td>04/26/30</td>
<td>52,071.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1B201 MUNICIPAL</td>
<td>04/26/95</td>
<td>859,000</td>
<td>17,961.75</td>
<td>821,938.25</td>
<td>04/26/30</td>
<td>44,475.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1B205 MUNICIPAL</td>
<td>04/26/95</td>
<td>1,879,000</td>
<td>42,722.49</td>
<td>1,836,277.51</td>
<td>04/26/30</td>
<td>70,434.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1B206 MUNICIPAL</td>
<td>04/26/95</td>
<td>361,000</td>
<td>6,006.89</td>
<td>354,193.11</td>
<td>04/26/30</td>
<td>13,477.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL RUS</td>
<td></td>
<td></td>
<td>20,401,559</td>
<td>0</td>
<td>7,224,179.82</td>
<td>13,177,379.18</td>
<td>626,325.84</td>
<td></td>
</tr>
<tr>
<td>COBANK</td>
<td></td>
<td></td>
<td>4,563,000</td>
<td>0</td>
<td>1,599,718</td>
<td>2,963,283</td>
<td>348,449</td>
<td></td>
</tr>
</tbody>
</table>

**EXHIBIT C**

$$24,964,559$$  $$0$$  $$8,823,897$$  $$16,140,662$$  $$974,775$$
Mr. William Harris  
President  
Taylor County Rural Electric  
Cooperative Corporation  
P.O. Box 100  
Campbellsville, Kentucky 42718

Dear Mr. Harris:

The loan documents, with instructions, relating to the "Z71" loan from the Rural Utilities Service (RUS) are enclosed (RUS loan documents). This loan, in the amount of $3,549,000, has been approved on the condition that a concurrent loan of $1,522,000 be obtained from CoBank, ACB (CoBank). In this connection, the Administrator has approved the borrowing of that amount from CoBank and the issuance of an additional note payable to CoBank in that amount to be secured under a Restated Mortgage and Security Agreement (Restated Mortgage).

CoBank will forward the executed counterparts of the Restated Mortgage to you for authorization and execution along with the CoBank loan documents. Please do not take any action on the RUS loan documents until you have received the executed counterparts of the Restated Mortgage and the CoBank loan documents.

All executed RUS loan documents, including the filed and recorded Restated Mortgage, must be returned at the same time in accordance with the enclosed instructions.

Please provide this office with a copy of the transmittal letter when the executed loan documents are returned to the Office of the General Counsel.

The enclosed RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, and RUS Form 741, Detail of First Part Electric Loan, detail the purposes for which the concurrent RUS and CoBank loans were made. Any deviation from this budget should have prior RUS approval. A consolidated loan budget (Form 605) will be prepared and forwarded at a later date.

It should be noted that under the provisions of the RUS Loan Contract, funds from this RUS loan will not be advanced until RUS is provided satisfactory evidence that: (1) the Restated Mortgage has been duly executed and filed, recorded or indexed; (2) there exists a binding agreement, in form and substance satisfactory to the Administrator, between your corporation and CoBank concerning the CoBank loan; and (3) the conditions precedent to the advance of CoBank loan funds have been met to the satisfaction of the Administrator.
A Mortgage Note (Note) has been prepared in the total amount of the RUS loan. Principal payments are scheduled to begin 2 years from the date of the Note on advances made during the first 2 years. Please be aware that there is no principal deferment for advances made more than 2 years after the date of the Note. Your attention is also called to the Fund Advance Period provision which specifies a Termination Date at which time any remaining unadvanced funds are automatically rescinded.

Article III, Section 3.2.(c) of the RUS Loan Contract, titled Interest Rates and Payment, reads as follows: "Electronic Funds Transfer. Except as otherwise prescribed by RUS, the Borrower shall make all payments on the Note utilizing electronic funds transfer procedures as specified by RUS."

This is to notify you that effective immediately, all debt service payments made by Taylor County Rural Electric Cooperative Corporation (Taylor County) to RUS or the Federal Financing Bank will be done using the Automatic Clearing House System (ACH). Instructions for using ACH will be forwarded as soon as your account is established. Please provide a copy of a canceled check, or a "check specification sheet," of the account you use to make your debt service payments and the name of a contact (with phone number) at Taylor County to the Electric and Telephone Financial Operations Division. They should be mailed to USDA-RD, Stop 1535, Washington, D.C. 20250

We are sending a copy of this letter to your manager and to CoBank.

Sincerely,

[Signature]

THOMAS W. NUSBAUM
Director
Northern Regional Division

Enclosures
VIA FACSIMILE to John Patterson

June 10, 1999

Mr. William Harris,
President
Taylor County Rural Electric
Cooperative Corporation
P. O. Box 100
Campbellsville, KY 42718

RE: RUS Concurrent Loan Approval

Dear Mr. Harris:

In October 1998, CoBank approved its portion of the Rural Utilities Service ("RUS") "Z71" concurrent loan in the amount of $1,522,000. RUS has approved the issuance of an additional note payable to CoBank which will be secured by a Restated Mortgage and Security Agreement.

If you have any questions in reference, please do not hesitate to contact me at 502-423-5660 or Terry Fountain, Loan Closing Officer at 1-800-542-8072 Ext. 5864.

Sincerely,

Horace Harrod,
Vice President
Rural Utility Banking Group

HH/fed

Cc: Correspondence File
Taylor County R.E.C.C. is an electric distribution cooperative with 2,885.57 miles of line serving 21,222 consumers in the Kentucky counties of Adair, Casey, Green and Taylor. The original Cost of Plant by Classification is:

### DISTRIBUTION PLANT

<table>
<thead>
<tr>
<th>ACCOUNT NUMBER</th>
<th>DESCRIPTION</th>
<th>ORIGINAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>36400</td>
<td>Poles, Towers, and Fixtures</td>
<td>$13,283,697.38</td>
</tr>
<tr>
<td>36500</td>
<td>Overhead Conductors &amp; Devices</td>
<td>$8,400,239.19</td>
</tr>
<tr>
<td>36600</td>
<td>Underground Conduit</td>
<td>$27,274.29</td>
</tr>
<tr>
<td>36700</td>
<td>Underground Conductor &amp; Devices</td>
<td>$410,231.94</td>
</tr>
<tr>
<td>36800</td>
<td>Line Transformers</td>
<td>$7,106,097.77</td>
</tr>
<tr>
<td>36900</td>
<td>Services</td>
<td>$3,067,076.56</td>
</tr>
<tr>
<td>37000</td>
<td>Meters</td>
<td>$1,267,136.04</td>
</tr>
<tr>
<td>37100</td>
<td>Installations on Consumers Premises</td>
<td>$696,847.14</td>
</tr>
<tr>
<td>37300</td>
<td>Street Lighting &amp; Signal System</td>
<td>$13,202.13</td>
</tr>
</tbody>
</table>

**TOTAL DISTRIBUTION PLANT**

$34,271,802.44

### GENERAL PLANT

<table>
<thead>
<tr>
<th>ACCOUNT NUMBER</th>
<th>DESCRIPTION</th>
<th>ORIGINAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>38900</td>
<td>Land and land Rights</td>
<td>$59,844.98</td>
</tr>
<tr>
<td>39000</td>
<td>Structures and Improvements</td>
<td>$319,408.16</td>
</tr>
<tr>
<td>39100</td>
<td>Office Furniture and Equipment</td>
<td>$160,158.88</td>
</tr>
<tr>
<td>39110</td>
<td>Office Equipment-Computer Software</td>
<td>$118,359.66</td>
</tr>
<tr>
<td>39200</td>
<td>Transportation Equipment</td>
<td>$1,212,768.68</td>
</tr>
<tr>
<td>39300</td>
<td>Stores Equipment</td>
<td>$5,681.24</td>
</tr>
<tr>
<td>39400</td>
<td>Tools, Shop and Garage Equipment</td>
<td>$15,241.97</td>
</tr>
<tr>
<td>39500</td>
<td>Laboratory Equipment</td>
<td>$79,257.90</td>
</tr>
<tr>
<td>39600</td>
<td>Power Operated Equipment</td>
<td>$258,908.65</td>
</tr>
<tr>
<td>39700</td>
<td>Communications Equipment</td>
<td>$114,067.30</td>
</tr>
<tr>
<td>39800</td>
<td>Miscellaneous Equipment</td>
<td>$34,914.33</td>
</tr>
</tbody>
</table>

**TOTAL GENERAL PLANT**

$2,378,611.75

**TOTAL PLANT**

$36,650,414.19
### TOTAL COST ESTIMATES

<table>
<thead>
<tr>
<th>ITEM</th>
<th>BORROWER</th>
<th>RUS</th>
<th>1ST PART</th>
<th>2ND PART</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DISTRIBUTION</td>
<td>$7,272,000</td>
<td>$7,272,000</td>
<td>$5,071,000</td>
<td>$2,201,000</td>
</tr>
<tr>
<td>2. TRANSMISSION</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>3. GENERATION</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>4. HEADQUARTERS</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>5. ACQUISITION</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>6. ALL OTHER</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>7. TOTAL - ALL COSTS</td>
<td>$7,272,000</td>
<td>$7,272,000</td>
<td>$5,071,000</td>
<td>$2,201,000</td>
</tr>
<tr>
<td>8. FUNDS AND MATERIALS AVAILABLE FOR ABOVE FACILITIES</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>9. NEW FINANCING REQUESTED FOR ABOVE FACILITIES</td>
<td>$7,272,000</td>
<td>$7,272,000</td>
<td>$5,071,000</td>
<td>$2,201,000</td>
</tr>
<tr>
<td>10. RUS LOAN REQUESTED, 70%</td>
<td>$5,090,000</td>
<td>$5,090,000</td>
<td>$3,549,000</td>
<td>$1,541,000</td>
</tr>
<tr>
<td>11. LOAN REQUESTED FROM SUPPLEMENTAL LENDER 30%</td>
<td>$2,182,000</td>
<td>$2,182,000</td>
<td>$1,522,000</td>
<td>$660,000</td>
</tr>
<tr>
<td>12. NUMBER OF NEW CONSUMERS</td>
<td>2100</td>
<td>2100</td>
<td>1400</td>
<td>700</td>
</tr>
<tr>
<td>13. MILES TO SERVE CONSUMERS</td>
<td>137.49</td>
<td>137.49</td>
<td>91.66</td>
<td>45.83</td>
</tr>
<tr>
<td>(New tie-line miles)</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>14. TRANSMISSION MILES</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>15. GENERATING CAPACITY (kW)</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

**REMARKS:**

DATE COMPLETED: Aug 4, 1998  
COMPLETED BY: RUS:NRD:bas

SPECIAL NOTES: 1) Financing requested is all BP#1, Distribution  
2) Tie-Line mileage as shown above, Item 13
DEED OF CONVEYANCE

November 17th, 1997

FROM: DAVID W. HALE, JR. and TERESA HALE, husband and wife, of 3331 Columbia Highway, Greensburg, Green County, Kentucky 42743 GRANTORS

TO: TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE COOPERATION, P. O. Box 100, Campbellsville, Taylor County, Kentucky 42719 GRANTEE

CONSIDERATION: THREE THOUSAND FIVE HUNDRED DOLLARS ($3,500) cash

DESCRIPTION

In GREEN County, Kentucky-

Located approximately 4 miles Southeast of Greensburg, Green County, Kentucky and being more particularly described as follows:

Beginning at a set iron pin, on the r/w of State Hwy. #61 (60’ r/w) a corner to William Landrum III (Deed Book 152 Page 601, Parcel #1); thence with the line of Landrum, S 49 deg. 08 min. 47 sec. W (Passing a set iron pin at 280.65 ft.) 305.65 ft. to a point center line of the creek; thence with the center line of creek, N 47 deg. 31 min. 35 sec. W 154.66 ft. to a point in the center line of creek, in the line of Landrum, a new corner to David and Teresa Hale Jr. (Deed Book 149 Page 403,Tract #1); thence severing the land of Hale with one new line, N 40 deg. 36 min. 36 sec. E (Passing a set iron pin at 15.00 ft.) 300.33 ft. to a set iron pin, a new corner to Hale, on the r/w of State Hwy. #61 (60’ r/w); thence with the r/w, S 49 deg. 30 min. 24 sec. E 100.00 ft.; thence S 47 deg. 30 min. 00 sec. E 100.00 ft. to the beginning containing 1.232 acres more or less, as surveyed by Joe R. Leftwich, RLS #3013 on October 17, 1997. This property is subject to any existing r/w’s or easements.

Source of Title: This being a part of the same property conveyed to David Hale, Jr. and wife, Teresa Hale, by deed of Norris Tupman and wife, Virginia Tupman, dated January 7, 1985 and of record in Deed Book 149, page 403, Green County Court Clerk’s Office, Kentucky.

The description in this conveyance was furnished by the parties who assume full responsibility for its accuracy; no liability on the part of the preparer is implied.

INTEREST CONVEYED: Fee Simple

RESERVATION AND/OR LIMITATION: Grantors retain the tobacco base

WARRANTY PROVISIONS: General

DATE OF POSSESSION: With delivery of deed
To have and to hold all of the above-described real property together with all the rights, privileges, appurtenances, and improvements thereunto belonging unto the grantee, their heirs and assigns forever, with covenant of general warranty of title.

CERTIFICATION OF VALUE

Pursuant to KRS Chapter 382, the Grantors and Grantees, being duly sworn, do certify that the consideration stated in the foregoing deed is the full consideration paid for the transfer of the property described above. It is further certified that we understand that falsification of the stated consideration or sale price of the property is a Class D Felony, subject to one to five years imprisonment and fines up to $10,000.00.

Signed this November 17th, 1997.

[Signatures]

DAVID W. HALE, JR., GRANTOR
TERESA HALE, GRANTOR

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE

BY: BARRY MYERS, MANAGER

GRANTEE

COMMONWEALTH OF KENTUCKY
COUNTY OF GREEN

This Deed transfer and Certification of Value was acknowledged, subscribed and sworn to before me this 17th day of November, 1997 by David W. Hale, Jr. and Teresa Hale, to be their free act and deed.

Commission Expires: 03/04/2000

Notary, State at Large, KY

COMMONWEALTH OF KENTUCKY
COUNTY OF GREEN

This Certification of Value was acknowledged, subscribed and sworn to before me this 17th day of November, 1997 by Barry Myers, for Taylor County Rural Electric Cooperative Cooperation, to be his free act and deed.

Commission Expires: 03/03/2000

Notary, State at Large, KY
I certify this Deed was lodged for record in my office on
November 17, 1997 12:37 A.M.

Billy Hughes Clerk
By: Allen Shaggs  D. C.

I hereby certify that the foregoing instrument was prepared WITHOUT PRIOR EXAMINATION OF TITLE by:

WILLIAM COLVIN, ATTORNEY
Colvin & Morris, P.S.C.
103 West Court, P.O. Box 147
Greensburg, KY 42743-0147
(502) 932-7563 and 932-3500
STATE OF KENTUCKY
COUNTY OF GREEN

STATE HWY. #61
60' R'W

A PORTION OF THE PROPERTY OF
DAVID & TERESA HALE JR.
DEED BOOK 179 PAGE 403
DEED BOOK 179 PAGE 403
BEING A PORTION OF TRACT #1
TO BE SOLD TO
TAYLOR COUNTY RURAL ELECTRIC COOP.
LOC APPROX 4 MILES S.E. OF GREENSBORO, GREEN CO., KY

I HEREBY CERTIFY That the plat depicts a survey made
by me, at which I received the following information, and measurements
and distances shown herein have been subject to closure and the survey meets
the minimum standards of governing authorities.

[Signature]

LEFTWICH LAND SURVEYING, INC.
2317 HUNTSVILLE ROAD, EUBANK, AL 35746 PHONES 800-561-3400