1. CHAPTER 11 BANKRUPTCY FILING, EMERGENCE FROM BANKRUPTCY AND CONTINGENCIES (Continued):

VIII. Big Rivers entered into a note payable with LEM for $19,676 to be repaid over the term of the Lease Agreement, which bears interest at 8% per annum, in consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements. The Company recorded this obligation as a component of deferred charges with the related payable recorded as long-term debt in the accompanying balance sheets. This deferred charge is amortized on a straight-line basis over the lease term.

IX. On the Effective Date, Big Rivers paid a non-refundable marketing payment of $5,933 to LEM, which has been recorded as a component of deferred charges. This amount is amortized on a straight-line basis over the lease term.

X. During the lease term, Big Rivers will be entitled to certain "billing credits" against amounts the Company owes to LEM under the power purchase agreement. Each month during the first 55 months of the lease term, Big Rivers receives a credit of $89. For the year 2011, Big Rivers will receive a credit of $2,611 and for the years 2012 through 2023, the Company will receive a credit of $4,111 annually. Big Rivers will recognize these credits as a reduction of power purchased as service is provided.

Upon attaining the Effective Date, the RUS Promissory Note (see Note 5) was replaced by two separate notes. The first note (the "New RUS Promissory Note") represents a stated principal balance of $1,022,583, net of $78,582 paid on the Effective Date, which bears a stated interest rate of 5.75% per annum, with a varying repayment schedule and an April 1, 2022 maturity date. The second note (the "RUS ARVP Note") represents a $265,000 obligation due to the RUS at the end of the Lease Agreement, and this obligation does not bear interest.

In accordance with Statement of Position ("SOP") 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," at the Effective Date the Company was required to record its liabilities at fair value. In determining the fair value of Big Rivers' liabilities, the Company was required to record its long-term debt by applying a discount rate commensurate with the market rate to the future debt service payments under the New RUS Promissory Note and the RUS ARVP Note, regardless of the stated principal and coupon rates of the obligations. In conjunction with recording the two separate notes on the Effective Date, the Company determined that the market rate associated with the New RUS Promissory Note and the RUS ARVP Note was 5.81%. In discounting the future debt service payments using the market rate, the Company recorded a combined principal balance of $1,077,311 for the two RUS notes, net of $78,582 paid on the Effective Date, and recorded a $54,727 loss as an extraordinary item in the accompanying statements of operations for the year ended December 31, 1998. Additionally, this transaction was treated as a non-cash transaction and was excluded from the accompanying statements of cash flows. Also, in conjunction with the Plan, certain pollution control bonds (discussed herein) were secured and remarketed following the mandatory tender of the bonds by the holders thereof. The irrevocable standby letters of credit, which were supporting the bonds held by Chase Manhattan Bank and the Bank of New York were replaced with the bond insurance policies and standby bond purchase agreements issued by Ambac Assurance Corporation, each dated the Effective Date, between Big Rivers, U.S. Bank Trust National Association, as trustee, and Credit Suisse First Boston, as the liquidity provider. In connection therewith, the Company realized cash proceeds of $14,200 and recognized an extraordinary gain in the accompanying statements of operations in 1998. For Big Rivers' remaining liabilities, there were no other significant differences between the carrying amounts and the respective fair values on the Effective Date.

1. CHAPTER 11 BANKRUPTCY FILING, EMERGENCE FROM BANKRUPTCY AND CONTINGENCIES (Continued):

In accordance with the power purchase agreement with LEM, the Company is allowed to purchase power in the open market, incurring penalties when the power purchased from LEM does not meet certain minimum levels, and sell excess power (power not needed to supply its jurisdictional load) in the open market (collectively referred to as "Arbitrage"). Pursuant to the New RUS Promissory Note and the RUS ARVP Note, the total value created by Arbitrage must be divided as follows: one-third, adjusted for member sales volume and capital expenditures, will be used to make principal payments on the New RUS Promissory Note; one-third will be used to make principal payments on the RUS ARVP Note; and the remaining value may be retained by the Company.

In connection with the Chapter 11 filing and subsequent Effective Date, certain items were segregated and presented as reorganization expenses in the accompanying statements of operations as costs related to transactions which were directly associated with the Chapter 11 proceedings. Reorganization expenses for the year ended December 31, 1998 were as follows:

Professional services	$ 4,365
Net loss on sale of property, inventory and other assets	4,004
Bankruptcy Court examiner fee	2,300
Employee termination benefits	4,979
Other, net	1,725
	$17,373

During 1997, Big Rivers terminated two unfavorable coal contracts. Of the amounts settled, $6,000 was paid upon initial settlement, $615 in 1999, and $695 in 2000. At December 31, 2000, the Company has a remaining liability of $2,209 payable over the next eight years.

Contingencies:

On June 5, 1997, an examiner appointed by the Bankruptcy Court filed for a $4,410 fee. On March 26, 1999, the Company received an order from the Bankruptcy Court entitling the examiner to receive a fee of $2,638. Management accrued such amounts under this order as a reorganization expense for the year ended December 31, 1998. Additionally, the Company designated $3,050 and $2,750 in 2000 and 1999, respectively, as restricted cash in the other deposits and investments caption in the accompanying balance sheets as security for the bond posted with the Bankruptcy Court, and is required by the order to deposit an additional $300 annually as continued security. Management is appealing this order and is vigorously defending this claim.

On April 5, 1999, the Bankruptcy Court issued a judgment disallowing a portion of the fees charged to Big Rivers by its professionals during its bankruptcy. On August 24, 2000, the federal district court reversed the Bankruptcy Court's decision and remanded the case to the Bankruptcy Court for additional review, resulting in the reinstatement of the original professional fees of approximately $670, which was accrued at December 31, 1999 and paid in 2000. Based on this decision, certain other professionals not included in the original parties to the judgment may appeal for fees totaling approximately $270 for which no accrual has been recorded in the accompanying balance sheets.

In 1999, the Company received a letter from WKEC notifying Big Rivers of potential claims associated with the condition of the Wilson Station storm water runoff pond arising from the alleged breach by Big Rivers of certain representations and warranties about such pond, as set forth in the agreements among

1. CHAPTER 11 BANKRUPTCY FILING, EMERGENCE FROM BANKRUPTCY AND CONTINGENCIES (Continued):

Big Rivers, WKEC, and other LG&E Energy subsidiaries or affiliates entered into in connection with the Lease Agreement. No accruals for these contingencies have been recorded in the accompanying balance sheets as there is currently not sufficient information available to reasonably estimate any such amounts. While the final resolution of this matter cannot be determined, management believes that the final outcome will not have a material adverse effect on the Company's results of operations or its financial position.

2. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General Information:

Big Rivers, an electric generation and transmission cooperative, supplies the power needs of its three member distribution cooperatives (excluding the power needs of the Aluminum Smelters) and markets power to non-member utilities and power marketers. The members provide electric power and energy to industrial, residential and commercial customers located in portions of 22 western Kentucky counties. Big Rivers has wholesale power contracts with each of its members which require the members to buy and receive from Big Rivers all power and energy requirements, other than for the Aluminum Smelters as discussed in Note 1. The wholesale power contracts with the members extend to January 1, 2023. Rates to Big Rivers' members are established by the KPSC and are subject to approval by the RUS.

Use of Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

System of Accounts:

Big Rivers' accrual basis accounting policies follow the Uniform System of Accounts as prescribed by the RUS Bulletin 1767B-1, as adopted by the KPSC. The regulatory agencies retain authority and periodically issue orders on various accounting and ratemaking matters.

Revenue Recognition:

Revenues generated from the Company's wholesale power contracts are based on month-end meter readings and are recognized as earned. In accordance with SFAS No. 13, Big Rivers' lease revenue is recognized on a straight-line basis over the term of the lease. The major components of Big Rivers' lease revenue include the annual lease payments and the Expected Margins as discussed in Note 1.

2. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In conjunction with the Lease Agreement, Big Rivers expects to realize the following minimum lease revenue for the years ending December 31:

Year	Amount
2001	$ 52,332
2002	52,332
2003	52,332
2004	52,332
2005	52,332
Thereafter	723,864
	$ 985,524

Utility Plant and Depreciation:

Utility plant is recorded at original cost, which includes the cost of contracted services, materials, labor, overhead and an allowance for borrowed funds used during construction. Replacements of depreciable property units, except minor replacements, are charged to utility plant.

Allowance for borrowed funds used during construction is included on projects with an estimated total cost of $250 or more before consideration of such allowance. The interest capitalized is determined by applying the effective rate of Big Rivers' weighted average debt to the accumulated expenditures for qualifying projects included in construction in progress.

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS. In 1996, the RUS approved new depreciation rates, which were based on the results of a depreciation study which extended the estimated service lives of Big Rivers' utility plant. These rates were utilized from January 1995 through June 1998. During 1998, the Company commissioned another depreciation study to again evaluate the remaining economic lives of its assets. The study received the approval of the RUS and KPSC. As a result of the July 1998 study, the remaining service lives of the Company's depreciable assets were further extended. The 1998 study was adopted beginning July 1, 1998.

In accordance with the terms of the Lease Agreement, the Company records capital additions for incremental and non-incremental expenditures funded by LG&E Energy as utility plant, to which the Company maintains title. A corresponding obligation to LG&E Energy is recorded for the estimated portion of these additions attributable to the residual value payment (see Note 1). Any differences in such amounts are amortized to lease revenue in the accompanying financial statements. As of December 31, 2000 and 1999, the Company has recorded $25,166 and $11,019, respectively for such additions in utility plant, and $1,429 and $2,118 in 2000 and 1999, respectively, as lease revenue in the accompanying financial statements.

For the three years ended December 31, the annual composite depreciation rates used to compute depreciation expense were as follows:

	Period subsequent to June 30, 1998	Periods prior to July 1, 1998
Production plant	1.60 – 2.47 %	1.45 – 4.25 %
Transmission plant	1.76 – 3.24 %	2.49 %
General plant	1.11 – 5.62 %	2.00 – 14.29 %

2. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

For 2000, 1999 and 1998, the average composite depreciation rates were 1.78%, 1.82% and 2.05%, respectively.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, Big Rivers considers all short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents.

Investments

In 2000, the Company purchased several short-term money market investments totaling approximately $34,000 with maturity dates between three months and one year with a weighted average interest rate of 6.84%.

Other Deposits and Investments:

In 1999, the Company purchased an $8,000 National Rural Utilities Cooperative Finance Corporation medium-term note with a maturity date of March 15, 2001. The note accrues interest at a rate of 6.47% per annum. This investment was considered held-to-maturity and classified as other deposits and investments in 1999, and cash and cash equivalents in 2000 in the accompanying balance sheets.

Patronage Capital:

As provided in the bylaws, the Company accounts for each year's patronage-sourced income, both operating and non-operating, on a patronage basis. Notwithstanding any other provision of the bylaws, the amount to be allocated as patronage capital for a given year shall be not less than the greater of regular taxable patronage-sourced income or alternative minimum taxable patronage-sourced income. In accordance with the Plan (see Note 1), all patronage capital claims were extinguished and discharged on the Effective Date. In 2001, the Company anticipates a patronage allocation to its members based on such calculations for tax year 2000.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. UTILITY PLANT:

The following summarizes utility plant at December 31:

	2000	1999
Classified plant in service:		
Electric plant - leased	$1,344,576	$1,326,889
Transmission plant	196,250	191,064
General plant	11,831	13,329
Other	67	67
	1,552,724	1,531,349
Less accumulated depreciation	689,926	666,973
	862,798	864,376
Construction in progress	1,262	4,074
	$ 864,060	$ 868,450

3. UTILITY PLANT (Continued):

Interest capitalized for the years ended December 31, 2000, 1999 and 1998, was not significant to the Company.

4. SALE-LEASEBACK:

On April 18, 2000, the Company completed a sale-leaseback of two of its utility plants, including the related facilities and equipment. The sale-leaseback provides Big Rivers a $1,089,000 fixed price purchase option, at the end of the respective facility's lease term (25 and 27 years), which was partially defeased at closing with certain of the proceeds and will be fully defeased together with future contractual interest receipts.

This transaction has been recorded as a financing for financial reporting purposes and a sale for Federal income tax purposes. In connection therewith, Big Rivers received approximately $867,000 of proceeds and incurred approximately $803,000 of related obligations. Pursuant to a payment undertaking agreement with a financial institution, Big Rivers effectively extinguished approximately $656,000 of these obligations with an equivalent portion of the proceeds. The Company purchased two investments approximating $147,000, equivalent to the remaining portion of the obligations and the fixed price purchase option, after including interest over the life of the agreement. These amounts are reflected as restricted investments under long-term lease and obligations under long-term lease in the accompanying balance sheets. Interest received and paid will be recorded to these accounts over the life of the lease. Currently, the Company is paying 7.57% interest on its obligations under long-term lease and receiving 6.89% on its related investments. The Company made a principal payment on the New RUS Promissory Note with the remaining proceeds. The approximate $64,000 net cash benefit to Big Rivers together with the deferral of approximately $11,000 of future interest amortization above the contractual rate of return has been deferred and will be amortized over the respective lease terms, of which the Company recognized $1,874 in 2000. A principal payment of $1,793 on the obligations under long-term lease is due in 2001 with remaining principal payments beginning in 2009.

5. LONG-TERM DEBT:

Due to the underlying collateral value of the RUS Promissory Note, Big Rivers ceased accruing interest for all long-term debt effective September 30, 1996. Subsequently, in accordance with the Plan, Big Rivers resumed recording interest on the RUS Promissory Note effective June 9, 1997, to the extent of payments resulting from a month-end operating cash balance in excess of $10,000. Upon achieving the Effective Date, the Company began recording interest on the RUS debt based on the fair value rate of 5.81% per annum.

Prior to the Effective Date, contractual interest totaling $7,021 in 1998 related to both secured and unsecured long-term obligations would have been recognized as interest expense had the Company not previously filed for bankruptcy.

5. LONG-TERM DEBT (Continued):

A detail of long-term debt is as follows at December 31:

	2000	1999
New RUS Promissory Note, stated interest rate of 5.75%, recorded at fair value (Note 1), with an interest rate of 5.81%, maturing April 2022.	$ 903,572	$ 975,389
RUS ARVP Note, no stated interest rate, recorded at fair value (Note 1), with interest imputed at 5.81%, maturing December 2023.	68,870	65,507
LEM Advances, interest rate of 6.98%, payable in monthly installments from August 2000 through July 2003.	45,428	34,107
LEM Settlement Note, interest rate of 8.0%, payable in monthly installments through July 2023.	19,016	19,305
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 4.21% and 3.37% in 2000 and 1999 respectively), maturing in October 2015.	83,300	83,300
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 4.21% and 3.37% in 2000 and 1999 respectively), maturing in June 2013.	58,800	58,800
Total long-term debt	1,178,986	1,236,408
Current maturities	19,772	5,353
Total long-term debt, net of current maturities	$1,159,214	$1,231,055

The following are estimated maturities of long-term debt at December 31:

Year	Amount
2001	$ 19,772
2002	25,890
2003	15,917
2004	5,397
2005	24,451
Thereafter	1,087,559
	$1,178,986

Pollution Control Bonds:

On October 31, 1985, the County of Ohio, Kentucky, issued $83,300 of Pollution Control Refunding Demand Bonds, Series 1985, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate and are dated to mature in October 2015. Annual sinking fund payments of $5,000 are to begin October 2001.

5. LONG-TERM DEBT (Continued):

On June 30, 1983, the County of Ohio, Kentucky, issued $58,800 of Pollution Control Bonds, Series 1983, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate and are dated to mature in June 2013.

Big Rivers' obligations with respect to the bonds, although secured and remarketed, were not affected by the Plan. These bonds are supported by two liquidity facilities issued by Credit Suisse First Boston and municipal bond insurance policies issued by Ambac Assurance Corporation (see Note 1). Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policies or the surety policies. Currently, the Company is exploring the possibility of refinancing the Series 1985 bonds.

LEM Settlement Note:

On the Effective Date, Big Rivers executed the Settlement Note with LEM. The Settlement Note requires Big Rivers to pay to LEM $19,676, plus interest at 8% per annum over the lease term. The principal and interest payment is approximately $1,822 annually. This payment is consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements. The execution of the Settlement Note was a non-cash transaction and was excluded from the accompanying statements of cash flows in 1998.

LEM Advances:

Beginning in August 1998 (the first month after the Effective Date) and ending in July 2000, LEM made payments totaling $50,000 to the RUS on behalf of the Company. The Company is now making monthly payments, which will ultimately total $60,000 to LEM through July 2003. The payments made by LEM to the RUS were applied to the New RUS Promissory Note. The Company is recognizing interest expense over the five-year life of the LEM Advances at 6.98% per annum.

6. RATE MATTERS:

As approved by the Bankruptcy Court and the KPSC, effective September 1997, the interim rates charged to Big Rivers' members consisted of a billing demand charge per KW and an energy charge per kWh consumed. The interim rates of Big Rivers included specific rate designs for its members' two classes of customers, the large industrial customers and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. The remaining customers billing demand is based upon the maximum coincident demand of each member's delivery points. The demand and energy charges are not subject to adjustments for increases or decreases in fuel or environmental costs. On April 30, 1998, the KPSC modified the interim rates for the large industrial customers. On June 1, 1998, the interim rates, as
modified, were approved by the Bankruptcy Court. These rates will remain in effect until changed by the KPSC. The rates resulted in a significant decrease in Big Rivers' rates for wholesale electric service to its members from the rates in effect prior to the Chapter 11 filing.

Effective September 1, 2000, the KPSC approved Big Rivers' request for a two-year ($3,680 annually) revenue discount adjustment for its members, effectively passing the benefit of the sale-leaseback transaction (see Note 4) to its members. Whether or not Big Rivers requests KPSC approval to extend the two-year period depends upon its planned environmental compliance costs and its overall financial condition.

6. RATE MATTERS (Continued):

Pursuant to the Lease Agreement, LEM supplies the energy necessary to comply with the Oglethorpe Power Corporation ("Oglethorpe Power") contract. In turn, Big Rivers remits the net revenues from the contract to LEM. The Oglethorpe Power contract is for the sale of 103 MW of power through July 31, 2002.

In accordance with the Lease Agreement, LG&E Energy operates certain generating facilities owned by the City of Henderson, Kentucky (the "City"), which were operated by Big Rivers prior to the Effective Date, pursuant to an agreement between the City and Big Rivers. The Company will retain the obligation to provide transmission services under this agreement.

7. INCOME TAXES:

Big Rivers was initially formed as a tax-exempt cooperative organization under section 501(c)(12) of the Internal Revenue Code. To retain tax-exempt status under this section of the Internal Revenue Code, at least 85% of Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to non-members resulted in Big Rivers being unable to meet the 85% requirement. In a letter dated March 23, 1984, the Internal Revenue Service notified Big Rivers that effective for 1983 and subsequent years, the Company would be considered a taxable organization until such year that sales to members would satisfy the 85% requirement and Big Rivers formally reapplies for tax-exempt status. Big Rivers is also subject to Kentucky income tax.

Under the provisions of SFAS No. 109, "Accounting for Income Taxes," Big Rivers is required to record deferred tax assets and liabilities for temporary differences between amounts reported for financial reporting purposes and amounts reported for income tax purposes. Deferred tax assets and liabilities are determined based on these temporary differences using enacted tax rates in effect for the year in which these differences are expected to reverse.

At December 31, 2000 and 1999, Big Rivers had deferred tax assets of $508,335 and $399,868, respectively, which primarily relate to net operating losses and the effect of the sale-leaseback transaction (see Note 4). At December 31, 2000, these net operating losses amounted to $302,000. The non-member portion of the net operating losses expire in 2001 through 2012. Additionally, at December 31, 2000 and 1999, Big Rivers had deferred tax liabilities of $261,438 and $241,204, respectively, which primarily relate to depreciation differences on utility plant. At December 31, 2000 and 1999, Big Rivers did not anticipate utilization of a portion of the deferred tax assets, thus a valuation allowance was established of $246,897 and $158,664, respectively.

8. POWER PURCHASED:

In accordance with the Lease Agreement, Big Rivers supplies all of the members' requirements for power to serve their customers other than the Aluminum Smelters. Contract limits were established in the Lease Agreement and include minimum and maximum hourly and annual power purchase amounts. Big Rivers has the right to elect to reduce the contract limits to a certain amount. Big Rivers cannot reduce the contract limits by more than 12 MW in any year, or by more than a total of 72 MW over the lease term. In the event Big Rivers fails to take the minimum requirement during any hour or year, Big Rivers is liable to LEM for a certain percentage of the difference between the amount of power actually taken and the applicable minimum requirement.

8. POWER PURCHASED (Continued):

Although Big Rivers will be required by the Lease Agreement to purchase minimum hourly and annual amounts of power from LEM, the lease does not prevent Big Rivers from paying the associated penalty in certain hours to purchase lower cost power, if available, in the open market or reselling a portion of its purchased power to a third party.

9. PENSION PLANS:

Big Rivers has non-contributory defined benefit pension plans covering substantially all employees who meet minimum age and service requirements. The plans provide benefits based on the participants' years of service and the five highest consecutive years' compensation during the last ten years of employment. Big Rivers' policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

In conjunction with the Lease Agreement, approximately 550 of the Company's employees were effectively terminated and transferred to WKEC on the Effective Date. Terminated employees have received distributions in the amount of their respective vested benefits. In 1998, the Company recognized a curtailment loss of $2,086 which was recorded as a reorganization expense in the accompanying statements of operations.

The following is an assessment of the Company's non-contributory defined benefit pension plans at December 31:

	2000	1999
Projected benefit obligation	$ 8,233	$ 8,038
Fair value of plan assets	7,356	7,027
Funded status	$ (877)	$(1,011)
Prepaid (unfunded) accrued pension cost	$ 157	$ 610

Net periodic pension costs, which are calculated based on actuarial assumptions at January 1, were as follows for the years ended December 31:

	2000	1999	1998
Benefit cost	$453	$478	$1,686
Curtailment cost	-	-	2,086
Employer contribution	-	-	5,300
Benefits paid or transferred	431	2,848	29,357

Assumptions used to develop the projected benefit obligation were:

	2000	1999	1998
Discount rates	7.5%	7.5%	7.0%
Rates of increase in compensation levels	4.0	4.0	4.0
Expected long-term rate of return on assets	8.5	8.5	8.5

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Big Rivers pays 80% of the cost from age 62 to 65 for all employees. For salaried employees who retired prior to December 31, 1993, from age 65, Big Rivers pays 100% of Medicare supplemental costs. For salaried employees who retire after December 31, 1993, the paid Medicare supplemental was eliminated.

The discount rate used in computing the postretirement obligation was 7.5% for 2000 and 7.0% for 1999. A health care cost trend rate of 9.0% in 2000 declining to 5.5% in 2007 was utilized.

The following is an assessment of the Company's postretirement plan at December 31:

	2000	1999
Total benefit obligation	$(2,019)	$(2,770)
Unfunded accrued postretirement cost	(3,486)	(3,536)

The components of net periodic postretirement benefit costs for the years ended December 31 were as follows:

	2000	1999	1998
Benefit cost	$108	$196	$436
Benefits paid	208	209	389

As noted above, approximately 550 employees were transferred to WKEC in conjunction with the Lease Agreement, and in conjunction therewith, the Company transferred to WKEC the postretirement liability for these employees. During 1998, the Company recognized a curtailment gain of $2,753 which was principally offset by the realization of the previously unrecognized transition obligation related to these employees totaling $2,538.

In addition to the postretirement plan discussed above, in 1992 Big Rivers began a postretirement benefit plan which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent an employee's sick leave hour balance exceeds 480 hours, such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is $139 and $114 at December 31, 2000 and 1999, respectively, and the postretirement expense recorded was $25, $14 and $51 for 2000, 1999 and 1998, respectively.

11. RELATED PARTIES AND MAJOR CUSTOMERS:

	Operating Revenues		
	2000	1999	1998
Members:			
Kenergy Corporation	$ 82,254	$ 81,349	$145,792
Jackson Purchase Electric Cooperative Corporation	22,765	22,540	22,247
Meade County Rural Electric Cooperative Corporation	13,880	13,290	12,618
Non-members	20,588	24,739	45,742
Lease revenue	54,014	54,265	24,247
Other revenue	8,877	8,376	3,908
	$202,378	$204,559	$254,554

In July 1999, Green River Electric Corporation and Henderson Union Electric Cooperative merged forming a single member doing business as Kenergy Corporation. All sales to the two former members are reflected as sales to Kenergy Corporation.

At December 31, 2000 and 1999, Big Rivers had accounts receivable from its members of $12,425 and $10,127, respectively.

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND THE 2001 NOTE

The following is a summary of certain provisions of the Financing Agreement and the 2001 Note and is not to be considered as a full statement of the provisions thereof. This summary is qualified by reference to and is subject to the complete Financing Agreement and the complete 2001 Note, copies of which are available for inspection at the principal offices of Big Rivers and the Trustee. All capitalized terms used in the summary and not defined herein or elsewhere in the Offering Statement shall have the meanings given to them in the Financing Agreement.

The 2001 Note

Concurrently with the sale and delivery by the County of the 2001 Bonds, Big Rivers will execute and deliver to the County, for endorsement to the Trustee, the 2001 Note in an aggregate principal amount equal to the aggregate principal amount of the 2001 Bonds delivered by the County. Payments required to be made on the 2001 Note will be in amounts sufficient to pay the principal of the 2001 Bonds when due at maturity and interest on the 2001 Bonds when due. The 2001 Note does not require Big Rivers to pay the Purchase Price of 2001 Bonds tendered upon conversion to the Fixed Interest Rate or to pay the redemption price of any 2001 Bonds called for redemption.

Prepayment

Big Rivers may from time to time and at its option prepay all or any part of the outstanding balance of the 2001 Note upon the terms and with the results specified in the Financing Agreement. An optional prepayment shall be used as directed by Big Rivers to pay 2001 Bonds or to cause 2001 Bonds to be deemed to be paid in accordance with the Bond Indenture and, in connection with such payment or deemed payment, to optionally redeem 2001 Bonds in accordance with the Bond Indenture.

Other Payment Obligations and Indemnification

Big Rivers agrees to pay all costs of issuance, reasonable fees and actual out-of-pocket expenses (including counsel fees) necessarily incurred by the Trustee and any co-paying agent. Big Rivers agrees further to pay the reasonable and necessary expenses incurred by the County in connection with the Financing Agreement, the 2001 Note and the Bond Indenture. Big Rivers also agrees to indemnify and hold the County and the Trustee free and harmless for any loss relating to the Financing Agreement, the 2001 Note, the Bond Indenture, the issuance of the 2001 Bonds and the Facilities.

Term of Agreement

The Financing Agreement shall remain in full force and effect from the date of delivery thereof until such time as all of the 2001 Bonds shall have been fully paid or provision made for such payment pursuant to the Bond Indenture.

Obligations of Big Rivers Unconditional

The Obligations of Big Rivers to make the payments pursuant to the Financing Agreement and the 2001 Note are absolute and unconditional. Until such time as the principal of and interest on the 2001 Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Bond Indenture, Big Rivers (i) will not suspend or discontinue any payments pursuant to the Financing Agreement or the 2001 Note, (ii) will perform and observe all its other agreements contained in the Financing Agreement and in the 2001 Note, and (iii) except at such time when the 2001 Bonds cease to be outstanding under the Indenture, will not terminate the Financing Agreement for any cause, including any acts or circumstances that may constitute failure of consideration,

destruction of or damage to the Facilities, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of the United States of America or the Commonwealth or any political subdivision thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Financing Agreement, whether express or implied.

Assignment

Under certain conditions Big Rivers may assign its interest in the Financing Agreement without the necessity of obtaining the consent of either the County or the Trustee, but such assignment shall not relieve Big Rivers from primary liability for any of its obligations under the Financing Agreement. Any assignee shall assume the obligations of Big Rivers under the Financing Agreement to the extent assigned.

Tax Covenant

In the Financing Agreement, Big Rivers covenants as follows:

> "Tax Covenants. (a) Big Rivers covenants that it will not take any action which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the 1986 Code, and will take or require to be taken, such acts as may from time to time be required under applicable law or regulation to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes. In furtherance of those covenants, Big Rivers agrees to comply with the Tax Certificate And Agreement and the provisions of the 1954 Code as amended by the Tax Reform Act of 1986.
>
> (b) Big Rivers covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code, and any regulations promulgated or proposed thereunder.
>
> (c) Big Rivers covenants that it will not use or permit the use of any property financed or refinanced with the proceeds of the Bonds by any person (other than the Commonwealth or local governmental unit) in such manner or to such extent as would result in loss of the exclusion of the interest on the Bonds from gross income for federal income tax purposes (other than during the period the Bonds are held by a "substantial user" of the facilities financed or refinanced with the proceeds of the Bonds or a "related person" within the meaning of Section 147(a) of the 1986 Code).
>
> (d) Notwithstanding any other provisions of this Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103(a) of the 1986 Code, the covenants in this Section shall survive the payment for the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Indenture."

Amendments to Bond Indenture

The County will not execute or permit any supplement to the Bond Indenture which affects any rights, powers and authority of Big Rivers under the Financing Agreement, the Mortgage or under the 2001 Note or requires a revision of the Financing Agreement, the Mortgage or the 2001 Note without the prior written consent of Big Rivers and RUS.

Amendments, Changes and Modifications

Except as otherwise provided in the Bond Indenture, the Financing Agreement and the 2001 Note may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee, given in accordance with the Bond Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Provisions Relating to Bond Insurance" in Appendix D.

No Pecuniary Liability of the County

No provision, covenant or agreement contained in the Financing Agreement or any obligations imposed upon the County in the Financing Agreement, or the breach thereof, will constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. In making the agreements, provisions and covenants set forth in the Financing Agreement, the County has not obligated itself except with respect to the Financing Agreement and the application of the revenues, income and all other property therefrom, as provided in the Financing Agreement.

Defaults

Any of the following events will constitute an "event of default" under the Financing Agreement:

(1) Failure by Big Rivers to pay when due any amount required to be paid under the 2001 Note, which failure causes a failure to pay when due the principal of or interest on any of the 2001 Bonds.

(2) Certain events of bankruptcy, dissolution, liquidation or reorganization by or with respect to Big Rivers.

(3) Acceleration of payment of any Note (as defined in the Mortgage) secured by the Mortgage pursuant to an "event of default" as such term is defined in the Mortgage.

Remedies

Upon the happening and continuance of an event of default, the County or the Trustee as provided in the Bond Indenture:

(1) shall, upon the acceleration of the 2001 Bonds, declare an amount equal to the principal and accrued interest on the 2001 Note to be immediately due and payable; and

(2) may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the 2001 Note and the Financing Agreement, or to enforce performance and observance of any obligation, Agreement or covenant of Big Rivers under the Financing Agreement or the 2001 Note.

Any declaration accelerating amounts due under the 2001 Note will be rescinded upon rescission of any declaration of any acceleration of the 2001 Bonds (see "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Remedies"). Any declaration of the acceleration of the Notes secured under the Mortgage or a result of an event of default thereunder, and prior to payment of the 2001 Bonds pursuant to such acceleration may be rescinded. Any amounts collected pursuant to action taken upon the happening of any event of default shall, subject to the Mortgage and the Intercreditor Agreement, be paid into the Bond Fund held under, and applied in accordance with the provisions of, the Bond Indenture.

Trustee Powers Under the Mortgage

The Trustee, as assignee of the County, is authorized in connection with the Mortgage to execute and deliver all such further supplemental mortgages or other instruments as may be required by the provisions thereof and to exercise all the rights of a holder of the 2001 Note as it in its sole discretion deems to be in the best interests

of the Bondowners and without the prior consent of the Bondowners or the County. Notwithstanding the foregoing, the Financing Agreement provides that, so long as the Municipal Bond Insurance Policy is in effect and the Bond Insurer is not in default under the Bond Insurance Policy, the Trustee, as assignee of the County, will only act on the written directions of the Bond Insurer. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Provisions Relating to Bond Insurance" in Appendix D.

SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE AND THE INTERCREDITOR AGREEMENT

The Mortgage

The 2001 Note will be secured by the Third Restated Mortgage and Security Agreement, dated as of August 1, 2001 (the "Mortgage"), by and among Big Rivers, the United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"), Ambac Assurance Corporation ("Ambac Assurance"), Credit Suisse First Boston, acting by and through its New York Branch ("CSFBNYB"), the Trustee, National Rural Utilities Cooperative Finance Corporation (the "Bank"), PBR-1 Statutory Trust, PBR-2 Statutory Trust, PBR-3 Statutory Trust, FBR-1 Statutory Trust, FBR-2 Statutory Trust and Ambac Credit Products, LLC (PBR-1 Statutory Trust, PBR-2 Statutory Trust, PBR-3 Statutory Trust, FBR-1 Statutory Trust, FBR-2 Statutory Trust and Ambac Credit Products, LLC are sometimes collectively referred to hereinafter as the "2000 Mortgagees" and RUS, Ambac Assurance, CSFBNYB, the Trustee, CFC and the 2000 Mortgagees are sometimes collectively referred to hereinafter as the "Mortgagees"). The following is a summary of certain provisions of the Mortgage. All references to the Mortgage are qualified by reference to such document, which is available for inspection at the principal offices of Big Rivers and the Trustee. Capitalized terms used in this section but not otherwise defined in this Offering Statement shall have the meaning set forth in the Mortgage.

Security for Payment of the Mortgage Obligations

In order to secure the payment of the principal of and interest, if any, on the Notes, as defined in the Mortgage, according to their tenor and effect, and further to secure the due performance of the covenants, agreements and provisions contained in the Mortgage and the New RUS Agreement, and to declare the terms and conditions upon which the New RUS Agreement and Notes are to be secured, the Mortgagor, in consideration of the premises, has executed and delivered the Mortgage, and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged, a security interest in, unto the Mortgagees, and their respective assigns, all of the Mortgaged Property, which includes, but is not limited to: all right, title and interest of the Mortgager in and to the electric generating plants and facilities and electric transmission and distribution lines and facilities now owned or thereafter acquired by the Mortgagor, wherever located, including without limitation those located in the Counties of Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McCracken, McLean, Meade, Muhlenberg, Ohio, Union and Webster in the Commonwealth of Kentucky, or thereafter constructed or acquired by the Mortgagor, wherever located, and in and to all extensions and improvements thereof and additions thereto, including all substations, service and connecting lines (both overhead and underground), poles, towers, posts, crossarms, wires, cables, conduits, mains, pipes, tubes, transformers, insulators, meters, electrical connections, lamps, fuses, junction boxes, fixtures, appliances, generators, dynamos, water turbines, water wheels, boilers, steam turbines, motors, switch boards, switch racks, pipe lines, machinery, tools, supplies, switching and other equipment, and any and all other property of every nature and description, used or acquired for use by the Mortgagor in connection therewith.

The Mortgage defines Excepted Property as all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, ships and other vehicles then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor.

Additional Notes

No additional Notes or indebtedness to other parties shall be secured by the Mortgage without the prior written approval of RUS, Ambac Assurance, CSFBNYB, each 2000 Mortgagee and the Bank; provided, however the consent of the 2000 (E) Mortgagees will not be required for any such additional Notes or indebtedness to be secured by the Mortgage if: (i) the consent required of all other Mortgagees for such additional Notes or

indebtedness shall have been obtained in accordance with the Mortgage and (ii) such indebtedness is not in excess of an aggregate of (a) $25 million for the period from April 18, 2000 through April 18, 2009, (b) $50 million for the period from April 18, 2000 through April 18, 2016 or (c) $100 million during the Facility Lease Term.

The consent of the 2000 (E)Mortgagees will not be required for (x) additional indebtedness for Required Modifications (as defined in the Participation Agreements), (y) refunding of indebtedness outstanding on the Closing Date or (z) reborrowings of prepaid amounts under the New RUS Note to the RUS outstanding as of April 18, 2000 (which reborrowing amounts in clause (z) shall not include the prepayment made to the RUS with a portion of the Head Lease Rent).

Events of Default and Remedies

Any of the following events will constitute an "Event of Default":

(1) a default in the payment of any installment of or on account of interest, if any, on or principal of any Note when and as the same shall be required to be made whether by acceleration or otherwise which shall remain unsatisfied for five (5) Business Days (as defined in the New RUS Agreement) after written notice thereof shall have been given to the Mortgagor by the respective Mortgagees;

(2) any representation or warranty made by the Mortgagor under the Mortgage, in the New RUS Agreement, the 1983 Reimbursement Agreement, the 1983 Standby Bond Purchase Agreement, the Financing and Loan Agreement, the Bank Loan Agreement or in any certificate delivered pursuant to the Mortgage or thereunder that shall prove to have been incorrect or untrue in any material respect when made;

(3) a default made in the due observance or performance of any of the covenants, conditions or agreements on the part of the Mortgagor contained in the Mortgage and such default continues for five (5) Business Days after written notice specifying such default and requiring such default to be remedied shall have been given to the Mortgagor by any Noteholder;

(4) a default made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor, in any of the Notes or in the Mortgage contained, and such default continues for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Mortgagor by any Noteholder;

(5) a court having jurisdiction in the premises entering a decree or order for relief in respect of the Mortgagor in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or thereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed or in effect for a period of ninety (90) consecutive days or the Mortgagor shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or thereafter in effect, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property or make any general assignment for the benefit of creditors; provided, however, that neither the commencement of the Bankruptcy Case nor any orders entered in connection therewith shall constitute an event of default under the Mortgage;

(6) other than as provided in the immediately preceding clause, the dissolution or liquidation of the Mortgagor, or failure by the Mortgagor promptly to forestall or remove any execution, garnishment or attachment of such consequences as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days. The term "dissolution or liquidation of the Mortgagor" shall not be construed to include the cessation of the corporate existence of the Mortgagor resulting either from a merger or consolidation of the Mortgagor into or with another corporation following a transfer of all or substantially all of its assets as an entity, under the conditions expressly set forth in the Mortgage;

(7) the Mortgagor forfeiting or otherwise being deprived of its corporate charter or franchises, permits, easements or licenses required to carry on any material portion of its business;

(8) the termination of any Facility Lease by reason of an "Event of Default" under such Facility Lease and as a result of such termination, the Mortgagor shall have lost the right to use and benefit from the undivided interest in the facility that was subject to such Facility Lease;

(9) a violation of the terms of any subordination agreement delivered pursuant to the Mortgage shall have occurred.

If an Event of Default shall occur, then in each and every such case the Government, to the extent permitted by applicable state law on behalf of all the Noteholders, may, in its discretion:

(1) without protest, presentment or demand, declare all unpaid principal of and accrued interest on and other amounts payable under the Notes to be due and payable immediately; and upon any such declaration all such unpaid principal and accrued interest so declared to be due and payable shall become and be due and payable immediately, anything contained therein or in any Note or Notes to the contrary notwithstanding;

(2) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all proceeds, rents, income, revenues and profits pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and manage, control and operate the Mortgaged Property as fully as the mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;

(3) proceed to protect and enforce the rights of the Mortgagees and the rights of the Noteholder or Noteholders under the Mortgage by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained therein or in aid of the execution of any power granted or for the foreclosure thereof or thereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies granted or conferred, and in the event of the institution of any such action or suit any Mortgagee shall have the right, irrespective of the adequacy of the security, to have appointed a receiver of the Mortgaged Property and of all proceeds, rents, income, revenues and profits pertaining thereto or arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers in like and similar cases, to the fullest extent permitted by law, and if any Mortgagee shall make application for the appointment of a receiver the Mortgagor expressly consents that the court to which such application shall be made may, irrespective of the adequacy of the security, make said appointment; and

(4) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction or otherwise, as may be prescribed or permitted, and in the manner prescribed or permitted by applicable law.

If, upon the expiration of 60 days after the happening of an Event of Default, the Government shall not have either (i) proceeded to exercise or enforce any of the remedies set forth in the Mortgage or conferred by law or (ii) provided written notice to Ambac Assurance that it has decided not to exercise or enforce any of the remedies set forth in the Mortgage or conferred by law, then, Ambac Assurance shall have the right to forthwith exercise or enforce any of the remedies set forth in the Mortgage on behalf of all Noteholders provided that it shall not have the right to accelerate any Notes held by the Government; provided, however, if Ambac Assurance shall be in default with respect to any of its payment obligations under the 1983 Municipal Bond Insurance Policy or under the 1983 Surety Policy, then CSFBNYB and not Ambac Assurance shall have the right to forthwith exercise or enforce any of the remedies set forth in the Mortgage on behalf of all Noteholders provided that it shall not have the right to accelerate any Notes held by the Government or Ambac Assurance. The Government shall not incur any liability to

Ambac Assurance for its exercise or non-exercise of any of the remedies set forth in the Mortgage or conferred by law. If, upon the expiration of 60 days after Ambac Assurance shall have the right to exercise or enforce any remedies pursuant to the Mortgage, and Ambac Assurance shall not have either (i) proceeded to exercise or enforce any of the remedies set forth in the Mortgage or conferred by law or (ii) provided written notice to CSFBNYB that it has decided not to exercise or enforce any of the remedies set forth in the Mortgage or conferred by law, then, CSFBNYB shall have the right to forthwith exercise or enforce any of the remedies set forth in the Mortgage on behalf of all Noteholders provided that it shall not have the right to accelerate any Notes held by the Government or Ambac Assurance. The Government and Ambac Assurance shall not incur any liability to CSFBNYB for the exercise or non-exercise of any of the remedies set forth in the Mortgage or conferred by law.

Notwithstanding the provisions of the Mortgage, the Mortgage provides that if, in the opinion of counsel satisfactory to the Government, the Government may not lawfully act on behalf and for the benefit of all Noteholders other than the Government, and if the Government Debt Notes have been accelerated, each Mortgagee shall have the right, immediately upon the happening of an Event of Default and notwithstanding any action taken by any other Mortgagee, to exercise on its own behalf any right or remedy herein or by law conferred.

Subject to the provisions under the caption "Certain Rights of Ambac, CSFBNYB, The Series 2001A Trustee, The Bank and the 2000 Mortgagees" herein, nothing contained in the Mortgage will affect or impair the right, which is absolute and unconditional, of any holder of any Note which may be secured hereby, to enforce the payment of the principal of, premium, if any, or interest on such Note on the date or dates any such interest, premium or principal shall become due and payable, whether by acceleration or otherwise, in accordance with the terms of such Note.

At such time as any Facility Lessor (D) Secured Note, Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note shall evidence any amount payable thereunder following an "Event of Default" under any Facility Lease, if an Event of Default shall occur under clause (1) under the caption "Events of Defaults and Remedies" herein with respect to any such Facility Lessor (D) Secured Note, Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note, the Mortgagee which is the Noteholder of such Facility Lessor (D) Secured Note, Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note, to the extent permitted by applicable state law on behalf of all the Noteholders, may, in its discretion, exercise any remedy specified in the Mortgage; *provided, however,* that any such Mortgagee which is a Noteholder of an Ambac Credit Products Secured Note or any assignee of a Noteholder of a Facility Lessor (D) Secured Note shall not be permitted to exercise any of the remedies provided by the Mortgage if such Event of Default under clause (1) is in consequence of an acceleration of or the unavailability of the right to make installment payments of the "Installment Payment Amount" (as defined in such Facility Lessor (E) Secured Notes and Ambac Credit Products Secured Notes) solely because of the acceleration of the obligations of Ambac Credit Products under any of its Master Agreements, dated April 18, 2000 with PBR-1 OP Statutory Trust, PBR-2 OP Statutory Trust, PBR-3 OP Statutory Trust, FBR-1 OP Statutory Trust or FBR-2 OP Statutory Trust (the "Lessor Swaps") or the absence of a right of Ambac Credit Products to make installment payments thereunder so long as the Mortgagor is not in default under its obligation to make installment payments of such Installment Payment Amount and interest thereon in accordance with the terms of such Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note (as determined without regard to such acceleration).

Notwithstanding any other provision of the Mortgage, Ambac Credit Products, any other holder of an Ambac Credit Products Secured Note or any assignee of a holder of a Facility Lessor (D) Secured Note shall not be permitted to exercise any remedy under the Mortgage at any time that (i) Ambac shall be in default under any of its payment obligations under any of the five separate financial guaranty insurance policies insuring the obligation of AME Asset Funding, LLC under five separate Payment Agreements, each dated as of April 1, 2000, between said AME Asset Funding and Big Rivers Leasing Corporation, (ii) Ambac shall be in default under any of its payment obligations under any of the five separate Surety Bonds, each dated April 18, 2000 securing the obligations of Ambac Credit Products, LLC under five separate Master Agreements, each dated April 18, 2000, between Ambac Credit Products, LLC and PBR-1 OP Statutory Trust, PBR-2 OP Statutory Trust, PBR-3 OP Statutory Trust, FBR-1 OP Statutory Trust or FBR-2 OP Statutory Trust, (iii) Ambac shall be in default under any of its payment obligations under any of the five separate financial guaranty insurance policies insuring the obligation of AIG Matched Funding Corp. under five separate Funding Agreements, each dated as of April 1, 2000, between said AIG

Matched Funding Corp. and Big Rivers Leasing Corporation, or (iv) Ambac shall be in default under any of its payment obligations under any of the five separate financial guaranty insurance policies insuring the payment obligations to the Series B Lender, each dated April 18, 2000, between said AME Asset Funding and Big Rivers Leasing Corporation.

For the avoidance of doubt, the Mortgage provides that, notwithstanding the immediately preceding two paragraphs, Ambac Credit Products shall be entitled to take actions such as asserting its claims in proceedings initiated by other Mortgagees or making filings necessary to preserve the perfection of its lien under the Original Mortgage, as supplemented by the Supplemental Mortgage, as may be necessary from time to time.

Certain Rights of AMBAC, CSFBNYB, The Series 2001A Trustee, The Bank and the 2000 Mortgagees

All indebtedness of the Mortgagor to the Government evidenced by the New RUS Agreement and the New RUS Note (the "Total Government Debt") (including, without limitation, principal, interest, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy) that may be deemed by any court to exist in favor of the Government shall be subordinated to the "AMBAC Debt," "CSFBNYB Debt," the "Series 2001A Debt," the "Bank Debt" and the "2000 Debt" to the extent and in the manner provided in the Mortgage. "AMBAC Debt" means, at any date, all indebtedness of the Mortgagor to Ambac Assurance secured by the Mortgage and evidenced by the AMBAC Notes and the 1983 Reimbursement Agreement (including, without limitation, principal, interest, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy). "CSFBNYB Debt" means, at any date, the amount for which CSFBNYB may demand payment with respect to all indebtedness of the Mortgagor evidenced by the CSFBNYB Notes and the Mortgage (including, without limitation, principal, interest, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy). "Series 2001A Debt" means, at any date, the amount for which the Series 2001A Trustee may demand payment with respect to all indebtedness of the Mortgagor evidenced by the Series 2001A Note and the Mortgage (including, without limitation, principal, interest, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy.) "Bank Debt" means, at any date, all indebtedness of the Mortgagor to the Bank secured by the Mortgage and evidenced by the Bank Note and the Bank Loan Agreement (including, without limitation, principal, interest, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy). "2000 Debt" means, at any date following the occurrence of an "Event of Default" under a Facility Lease, all outstanding obligations of the Mortgagor evidenced by the Facility Lessor (D) Secured Notes, the Facility Lessor (E) Secured Notes and the Ambac Credit Products Secured Notes (including, without limitation, principal, interest, fees, penalties, indemnities provided by the Mortgage and "post-petition interest" in bankruptcy).

The Mortgagor, the Government, Ambac Assurance, CSFBNYB, the Series 2001A Trustee, the Bank and each 2000 Mortgagee agree that (a) the Total Government Debt is subordinate and junior in right to payment, to the extent and in the manner provided in the Mortgage, to the prior payment in full of all AMBAC Debt, all CSFBNYB Debt, Series 2001A Debt, all Bank Debt and all 2000 Debt and (b) the 2000 Debt is subordinate and junior in right of payment, to the extent and in the manner provided in the Mortgage, to the prior payment in full of all AMBAC Debt, all CSFBNYB Debt and Series 2001A Debt.

Upon any acceleration of the Notes or any distribution of Mortgaged Property to creditors upon a liquidation or dissolution of the Mortgagor or in a subsequent bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Mortgagor, (i) the holders of AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt shall be entitled to receive payment in full of all AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt before the Government shall be entitled to receive any payment in respect of the Total Government Debt or any 2000 Mortgagee shall be entitled to receive any payment in respect of the 2000 Debt, (ii) the holders of all 2000 Debt shall be entitled to receive payment in full of all 2000 Debt before the Government shall be entitled to receive any payment in respect of Total Government Debt, (iii) until payment in full of all AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt, any distribution of assets of any kind or character to which the Government or any 2000 Mortgagee would be entitled but for certain provision of the Mortgage shall be paid (if received) by the Government, or the 2000 Mortgagee, as the case may be, or any receiver, trustee in bankruptcy, liquidating trustee or other person making such payment or distribution to, or, if received by the Government or any 2000 Mortgagee, shall be held for the benefit of and shall be forthwith paid or delivered to, the holders of the AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt, for application to the

payment of all AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt until all AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt shall have been paid in full after giving effect to any concurrent payment or distribution to the holders of AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt in respect of such AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt, and (iv) following payment in full of all AMBAC Debt, CSFBNYB Debt, Series 2001A Debt and Bank Debt, until payment in full of all 2000 Debt, any distribution of assets of any kind or character to which the Government would be entitled but for certain provisions of the Mortgage shall be paid (if received) by the Government, or any receiver, trustee in bankruptcy, liquidating trustee or other person making such payment or distribution to, or if received by the Government shall be held for the benefit of and shall be forthwith paid or delivered to the holders of the 2000 Debt for application to the payment of all 2000 Debt until all 2000 Debt shall have been paid in full after giving effect to any concurrent payment or distribution to the holders of Facility Lessor (D) Secured Notes, Facility Lessor (E) Secured Notes and Ambac Credit Products Secured Notes in respect of 2000 Debt. Any payments to Ambac Assurance, CSFBNYB, the Series 2001A Trustee and the Bank pursuant to the Mortgage shall be made on a pro rata basis according to the aggregate unpaid principal amount of the Ambac Notes, CSFBNYB Notes, Series 2001A Note and the Bank Note; provided that if and to the extent that any amounts are due and payable but unpaid by Ambac Assurance under the 1983 Municipal Bond Insurance Policy or the 1983 Surety Policy, the portion of such payment which otherwise would have been payable to Ambac Assurance shall be payable to CSFBNYB until all amounts outstanding under the CSFBNYB Notes are paid in full. Any payments to any holder of Facility Lessor (D) Secured Notes, the Facility Lessor (E) Secured Notes or Ambac Credit Products Secured Notes pursuant to the Mortgage shall be made on a pro rata basis according to the aggregate unpaid principal amount of the Facility Lessor (D) Secured Notes, the Facility Lessor (E) Secured Notes and the Ambac Credit Products Secured Notes.

The Mortgage provides that the Mortgagor shall not pay, and the Government and the 2000 Mortgagees shall have no right to collect and agree not to accept payments of, interest or principal or other amounts then due and payable with respect to the Total Government Debt or the 2000 Debt, respectively, unless at the time of such payment there exists net cash flow (after all operating and other expenses) from the Mortgaged Property, for any applicable payment period, sufficient to make payments of debt service and all other amounts then due and payable to Ambac pursuant to or in connection with the Ambac Debt, to CSFBNYB pursuant to or in connection with the CSFBNYB Debt, to the Series 2001A Trustee pursuant to or in connection with the Series 2001A Debt and to the Bank pursuant to or in connection with the Bank Debt for such period. The Mortgagor shall not pay, and the Government shall have no right to collect and agrees not to accept payments of, interest or principal or other amounts then due and payable with respect to the Total Government Debt unless at the time of such payment there exists net cash flow (after all operating and other expenses) from the Mortgaged Property, for any applicable payment period, sufficient to make payments of the Debt Secured Amount (as defined in each of the Facility Lessor (D) Secured Notes), the Equity Secured Amount (as defined in each of the Facility Lessor (E) Secured Notes) and the ACP Secured Amount (as defined in each of the Ambac Credit Products Secured Notes), and all other amounts then due and payable to each holder of a Facility Lessor (D) Secured Note, a Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note for which any amount is outstanding for such period.

The Mortgage provides that in the event: (i) the AMBAC Debt becomes due or is declared due and payable prior to its stated maturity or the Mortgagor is in default or pending default (as reasonably determined by Ambac) under the 1983 Reimbursement Agreement and, solely as a result thereof, under the Mortgage; (ii) the CSFBNYB Debt becomes due or is declared due and payable prior to its stated maturity or the Mortgagor is in default or pending default (as reasonably determined by CSFBNYB) under any of the CSFBNYB Notes and, solely as a result thereof, the Mortgage; (iii) the Series 2001A Debt becomes due or is declared due and payable prior to its stated maturity or the Mortgagor is in default or pending default (as reasonably determined by the Series 2001A Trustee) under the Series 2001A Note and, solely as a result thereof, the Mortgage; (iv) the Bank Debt becomes due or is declared due and payable prior to its stated maturity or the Mortgagor is in default or pending default (as reasonably determined by the Bank) under the Bank Loan Agreement and, solely as a result thereof, the Mortgage; (v) any payment prohibited by the preceding paragraph has been made; or (vi) any distribution, voluntary or involuntary, by operation of law or otherwise, is made of all or any part of the property of the Mortgagor to any creditor or creditors of the Mortgagor by reason of any liquidation of the Mortgagor, or of any receivership for the Mortgagor of all or substantially all of its property, or of any insolvency or bankruptcy proceedings or assignment for the benefit of Mortgagor's creditors, then, and in any such event, any payment or distribution of any kind which shall be payable with respect to the Total Government Debt or 2000 Debt or which has been received by the Government or any

2000 Mortgagee subsequent to the effective date of any of the events described in (i), (ii), (iii), (iv), (v) or (vi) above, shall be held in trust by the Government or such 2000 Mortgagee for the benefit of Ambac, CSFBNYB, the Series 2001A Trustee and the Bank and shall be paid or delivered directly to Ambac, CSFBNYB, the Series 2001A Trustee and the Bank for application to the payment of the AMBAC Debt, CSFBNYB Debt, the Series 2001 A Debt and the Bank Debt but only to the extent necessary to make payment in full of all sums due under the AMBAC Debt, the CSFBNYB Debt, the Series 2001A Debt and the Bank Debt. In any such event, Ambac Debt, CSFBNYB Debt, the Series 2001A Debt and the Bank Debt shall have been fully paid and satisfied and all of the obligations of the Mortgagor to Ambac, CSFBNYB, the Series 2001A Trustee and/or the Bank may, but shall not be obligated to, collect any such payment or distribution that would, but for these subordination provisions, be payable or deliverable with respect to the Total Government Debt or the 2000 Debt. In the event of any of the foregoing occurrences, and until the AMBAC Debt, the CSFBNYB Debt, the Series 2001A Debt and the Bank Debt shall have been fully paid and satisfied and all of the obligations of the Mortgagor to Ambac, CSFBNYB, the Series 2001A Trustee and the Bank in connection therewith have been performed in full, no payment shall be made to or accepted by the Government or any 2000 Mortgagee in respect of the Total Government Debt or 2000 Debt. To the extent that the Government has received a payment or distribution of any kind with respect to Total Government Debt and the Government shall have paid or delivered such payment or distribution to Ambac, CSFBNYB, the Series 2001A Trustee and the Bank for application to the payment of the AMBAC Debt, the CSFBNYB Debt, the Series 2001A Debt and the Bank Debt, the Total Government Debt or part thereof originally intended to be satisfied by such payment or distribution shall be deemed to be reinstated and outstanding as if such payment or distribution had not occurred. To the extent that any 2000 Mortgagee has received a payment or distribution of any kind with respect to 2000 Debt and such 2000 Mortgagee shall have paid or delivered such payment or distribution to Ambac, CSFBNYB, the Series 2001A Trustee and the Bank for application to the payment of the AMBAC Debt, the CSFBNYB Debt, the Series 2001A Debt and the Bank Debt, the 2000 Debt or part thereof originally intended to be satisfied by such payment or distribution shall be deemed to be reinstated and outstanding as if such payment or distribution had not occurred.

Following payment in full of all amounts payable to Ambac, CSFBNYB, the Series 2001A Trustee or the Bank pursuant to the prior paragraph in the event: (i) the Mortgagor is in default or pending default as reasonably determined by any 2000 Mortgagee under any Facility Lessor (D) Secured Note, Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note or this Mortgage or (ii) any payment prohibited by Section 4 of the Mortgage has been made; or (iii) any distribution, voluntary or involuntary, by operation of law or otherwise, is made of all or any part of the property of the Mortgagor to any creditor or creditors of the Mortgagor by reason of any liquidation of the Mortgagor, or of any receivership for the Mortgagor of all or substantially all of its property, or of any insolvency or bankruptcy proceedings or assignment for the benefit of Mortgagor's creditors, then, and in any such event, any payment or distribution of any kind which shall be payable with respect to the Total Government Debt or which has been received by the Government subsequent to the effective date of any of the events described in (i), (ii) or (iii) above, shall be held in trust by the Government for the benefit of the 2000 Mortgagees and shall be paid or delivered directly to the appropriate 2000 Mortgagee for application to the payment of any Facility Lessor (D) Secured Note, Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note for which amounts are outstanding but only to the extent necessary to make payment in full of all sums due under such Facility Lessor (D) Secured Note, Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note. In any such event, any 2000 Mortgagee may, but shall not be obligated to, collect any such payment or distribution that would, but for these subordination provisions, be payable or deliverable with respect to the Total Government Debt. In the event of any of the foregoing occurrences, and until the 2000 Debt shall have been fully paid and satisfied and all of the obligations of the Mortgagor to the 2000 Mortgagees secured by the Mortgage have been performed in full, no payment shall be made to or accepted by the Government in respect of the Total Government Debt. To the extent that the Government has received a payment or distribution of any kind with respect to Total Government Debt and the Government shall have paid or delivered such payment or distribution to any 2000 Mortgagee for application to the payment of any Facility Lessor (D) Secured Note, Facility Lessor (E) Secured Note or Ambac Credit Products Secured Note, the Total Government Debt or part thereof originally intended to be satisfied by such payment or distribution shall be deemed to be reinstated and outstanding as if such payment or distribution had not occurred.

To the extent any payment obligation secured by the Mortgage is made under the Government Debt Notes, the New RUS Agreement, the 1983 Reimbursement Agreement, the AMBAC Notes, the CSFBNYB Notes, the 1983 Standby Bond Purchase Agreement, the Series 2001A Note, the Financing and Loan Agreement, the Bank Loan

Agreement, the Bank Note, the Facility Lessor (D) Secured Notes, the Facility Lessor (E) Secured Notes, the Ambac Credit Products Secured Notes or the Mortgage (whether by or on behalf of the Mortgagor, as proceeds of security or enforcement of any right of setoff or otherwise) and is declared to be fraudulent or preferential, set aside or required to be paid to a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then if such payment is recovered by, or paid over to, such trustee, receiver or other similar party, the Total Government Debt, the AMBAC Debt, the CSFBNYB Debt, the Series 2001A Debt, the Bank Debt or 2000 Debt or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

Amendments and Supplemental Mortgages

The Mortgagor will from time to time upon written demand of any Mortgagee make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by any Mortgagee and take or cause to be taken all such further action as may reasonably be requested by any Mortgagee to effectuate the intention of these presents and to provide for the securing and payment of the principal of and interest, if any, on the Notes equally and ratably according the terms thereof and for the purpose of fully conveying, transferring and confirming unto the Mortgagees the property thereby conveyed, mortgaged and pledged, or intended so to be, whether now owned by the Mortgagor or thereafter acquired by it and to reflect the assignment of the rights or interests of any of the Mortgagees or of any Noteholder thereunder or under any Note. The Mortgagor will cause the Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and recorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be reasonably requested by any Mortgagee in order fully to preserve the security for the Notes and to perfect and maintain the superior lien of the Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the Noteholders.

Defeasance

The Mortgage provides that if the Mortgagor shall indefeasibly pay or cause to be paid indefeasibly the whole amount of the principal of and interest, if any, on the Notes at the times and in the manner therein provided, according to the true intent and meaning thereof, then and in that case, all property, rights and interests conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the Noteholders shall thereupon cease, determine and become void and the Mortgagees and the Noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of the Mortgage upon the record. In any event, each Noteholder, upon indefeasible payment in full to him by the Mortgagor of all amounts, of principal of and interest, if any, on any Note held by him and the payment and discharge by the Mortgagor of all charges due to such Noteholder intended to be secured thereunder, shall execute and deliver to the Mortgagor such instrument or satisfaction, discharge or release as shall be reasonably requested by the Mortgagor or required by law in the circumstances.

Covenants

Rate Covenant. The Mortgagor, subject to applicable laws, and rules and orders of regulatory bodies, and taking into consideration all other sources of revenue available to the Mortgagor, will design its rates for electric energy and other services furnished by it with a view to paying and discharging all taxes, maintenance expenses, cost of electric energy and other operating expenses of its electric transmission and distribution system and electric generating facilities, if any, and also to making all payments on Notes when and as the same shall become due and to providing and maintaining reasonable working capital for the Mortgagor.

Distributions. The Mortgagor will not, in any one year, without the approval in writing of the Mortgagees, declare or pay any dividends, or pay or determine to pay any patronage refunds, or retire any patronage capital or make any other Cash Distributions (such dividends, refunds, retirements and other distributions being hereinafter

collectively called "Distributions"), to its members, stockholders or consumers if after giving effect to any such Distribution the total Equity of the Mortgagor will not equal or exceed 40% of its total assets and other debits; provided, however, that the Mortgagor may nevertheless make Distributions in any year up to 25% of the patronage capital and margins received by the Mortgagor in the next preceding year where after giving effect to any such Distribution the total Equity of the Mortgagor will equal or exceed 20% of its total assets and other debits, and provided, further, however, that in no event will the Mortgagor make any Distributions if there is unpaid when due any installment of principal of or interest on the Notes, if the Mortgagor is otherwise in default hereunder or if, after giving effect to any such Distribution, the Mortgagor's total current and accrued assets would be less than its total current and accrued liabilities.

For the purpose of this section, a "Cash Distribution" shall be deemed to include any general cancellation or abatement of charges for electric energy or services furnished by the Mortgagor, but not the repayment of a membership fee of not in excess of $100 upon termination of a membership. As used or applied in this Mortgage (1) "Equity" shall mean the aggregate of Equities and Margins (as such terms are defined in the Uniform System of Accounts) and Subordinated Indebtedness; and (2) "Subordinated Indebtedness" shall mean unsecured indebtedness of the Mortgagor, payment of which shall be subordinated to the prior payment of the Notes in form and substance satisfactory to the Mortgagees.

The Intercreditor Agreement

Big Rivers; WKEC, LEM, the Station Two Subsidiary, WKE Corp. (WKEC, LEM, the Station Two Subsidiary and WKE Corp. are collectively referred to herein as the "LG&E Entities"); RUS, Ambac Assurance, CFC, CSFBNYB and the Trustee (RUS, Ambac Assurance and CFC being sometimes referred to as the "Original Creditors"; and the Original Creditors, CSFBNYB and the Trustee being sometimes referred to collectively as the "Creditors"); PBR-1 Statutory Trust, PBR-2 Statutory Trust, PBR-3 Statutory Trust, FBR-1 Statutory Trust, FBR-2 Statutory Trust (collectively, the "Owner Trusts"); PBR-1 OP Statutory Trust, PBR-2 OP Statutory Trust, PBR-3 OP Statutory Trust, FBR-1 OP Statutory Trust, FBR-2 OP Statutory Trust (collectively, the "OP Trusts"); Bluegrass Leasing, Fleet Real Estate, Inc., AME Investments, LLC, CoBank, ACB and Ambac Credit Products (the PBR-1 Trust, the PBR-2 Trust, the PBR-3 Trust, the FBR-1 Trust, the FBR-2, AME Investments, CoBank, Ambac Credit Products and Ambac, as mortgagee under the 2000 Parties Subordinated Mortgage but not as a Creditor, being sometimes referred to collectively as the "2000 Parties" and the 2000 Parties, together with the PBR-1 OP Trust, the PBR OP Trust, the PBR-3 OP Trust, the FBR-1 OP Trust, the FBR-2 OP Trust, the PMCC Owner Participant and the Fleet Owner Participant being hereinafter referred to collectively as the "2000 Transaction Parties") will enter into the Third Amended and Restated Subordination, Nondisturbance, Attornment and Intercreditor Agreement, dated as of August 1, 2001 (the "Intercreditor Agreement") in connection with the Mortgage. In general, the Intercreditor Agreement will grant the LG&E Entities assurances that the agreements related to the LG&E Transaction will not be disturbed by reason of a default by Big Rivers under the Mortgage or other obligation of Big Rivers to all Creditors and all mortgagees under the 2000 Parties Subordinate Mortgage. Capitalized terms used in this section but not otherwise defined herein or in this Offering Statement shall have the meaning set forth in the Intercreditor Agreement.

Definitions.

"Collateral" means the mortgage lien on and security interest in Big Rivers' electric generation plants, transmission facilities and associated real and personal property and intangible assets, granted pursuant to that certain Restated Mortgage and Security Agreement, dated July 15, 1998, between Big Rivers and the Original Creditors, as supplemented by the Supplemental Mortgage and Security Agreement No. 1, dated as of April 1, 2000 (the "Supplemental Mortgage") and as amended and restated by the Second Restated Mortgage and Security Agreement, dated as of December 15, 2000, among Big Rivers, the Original Creditors, CSFBNYB and the 2000 Parties.

"Credit Agreements" mean the Original Credit Agreements, the Facility Lessor Secured Notes and the Ambac Credit Products Secured Notes.

"Facilities" mean all facilities owned by Big Rivers on July 15, 1998 relating to the generation of electric power and includes the three unit Coleman Plant, the two unit Green Plant, the one unit D.B. Wilson Plant, the one unit Reid Unit I and the Reid Combustion Turbine, all existing and future additions to those plants and all interests of Big Rivers in common or joint facilities and equipment used to serve those generating facilities and/or Station Two, excluding, however, all Excluded Assets.

"Original Credit Agreements" mean the New RUS Agreement, the New RUS Notes, the 1983 Reimbursement Agreement, the Ambac Notes (as defined in the Restated Mortgage), the 1983 Standby Bond Purchase Agreement, the CSFBNYB Notes, the Series 2001A Note, the Financing and Loan Agreement, the CFC Loan Agreement, the CFC Note and the Restated Mortgage.

"Restated Mortgage" means the Third Restated Mortgage and Security Agreement, dated as of August 1, 2001, among Big Rivers, the Creditors and the 2000 Parties.

"Restated Mortgage Mortgagees" means the Creditors, each Owner Trust and Ambac Credit Products in their capacities, as mortgagees under the Restated Mortgage, and AME Investments and CoBank in their capacities as assignees under the Leasehold Mortgage of the interests of the Owner Trusts as mortgagees under the Restated Mortgage with respect to the Facility Lessor (D) Secured Notes and their respective successors and assigns.

"Security Agreements" mean:

(a) each of five separate Payment Agreement Pledge Agreements, each dated as of April 1, 2000 among Big Rivers, a Facility Lessor, Ambac Credit Products, the Big Rivers Subsidiary, and the Restated Mortgage Mortgagees;

(b) each of five separate Funding Agreement Pledge Agreements, each dated as of April 1, 2000, among the Big Rivers Subsidiary, Ambac Credit Products, the Restated Mortgage Mortgagees and State Street Bank and Trust Company, National Association, as Securities Collateral Agent; and

(c) each of the five separate Government Securities Pledge Agreements, each dated as of April 1, 2000, among the Big Rivers Subsidiary , Ambac Credit Products, a Facility Lessor, the Restated Mortgage Mortgagees and State Street Bank and Trust Company, National Association, as Government Securities Collateral Agent and Government Securities Intermediary.

"Series 2001A Note" means the note payable to the Series 2001A Trustee, dated August 1, 2001, stated to mature on October 1, 2022, issued by the Mortgagor in the aggregate principal amount of $83,300,000 to evidence the obligation of the Mortgagor under the Financing and Loan Agreement to pay the principal of and interest on the Series 2001A Bonds.

"Series 2001A Trustee" means U.S. Bank Trust National Association, a national banking association, duly organized and existing under the laws of the United States, not in its individual capacity but solely as trustee under the Trust Indenture dated as of August 1, 2001.

"2000 Collateral" means:

(a) each of the Payment Agreements;

(b) each of the five separate financial guaranty insurance policies, dated April 18, 2000, issued by Ambac Assurance with respect to the Payment Agreements;

(c) each of five separate Funding Agreements, dated as of April 1, 2000, between the Big Rivers Subsidiary and AIG Matched Funding Corp.;

(d) each of five separate guarantees, dated as of April 18, 2000, of American International Group, Inc. of with respect to such Funding Agreements;

(e) each of five separate financial guaranty insurance policies, dated April 18, 2000, issued by Ambac Assurance with respect to such guarantees;

(f) the Government Securities and the "Other Government Securities" referred to in each of the five separate Government Securities Pledge Agreements;

and any other property which may, from time to time, be added to, or substituted for, the above property, and become subject to the Security Agreements.

"2000 Parties Subordinate Mortgage" means the mortgage and security agreement on the Facilities, dated as of April 1, 2000, regarding certain contingent claims of the 2000 Transaction Parties and which mortgage is subordinated to the Original Restated Mortgage, the WKEC Lease, the LEM Mortgage, the LG&E Subordinated Mortgage, the Head Leases, the Facility Leases, the Ground Leases, the Ground Subleases, the Facility Lessee Assignment Agreements and the Facility Lessee Reassignment Agreements and is subject to (i) the rights of the LG&E Entities under the New Participation Agreement and the other Operative Documents and (ii) the rights of the City under the City Operating Agreement, the City Joint Facilities Agreement and the Cross-Easement.

Acknowledgements. The LG&E Entities acknowledge and agree that their rights and the right of any one of them to possession and use of such portion of the Collateral to which they are entitled to possession or use under the Operative Documents (as defined in the New Participation Agreement as the "Phase II Agreements") or otherwise are and shall be subject and subordinate to the liens on and security interests in the Collateral created by the Credit Agreements (as in effect on the date of the Intercreditor Agreement or as amended as permitted by the Intercreditor Agreement), including but not limited to liens on and security interests in the Collateral securing (i) the balance of indebtedness under the Original Credit Agreements as of the date of the Intercreditor Agreement and future advances under the Ambac Notes, the CSFBNYB Notes, the Series 2001A Note and the CFC Note, (ii) future accruing interest on such indebtedness, (iii) protective advances permitted under the terms of the Original Credit Agreements, (iv) additional advances under the Original Credit Agreements to the extent that any such advances are made in order for Big Rivers, its successors and assigns to pay sums due to the LG&E Entities under the Operative Documents and the Key Station Two Contracts and those advances are actually received by the LG&E Entities (in the case of (i) , (ii), (iii) and (iv), above, until such time as each of the Original Credit Agreements, and all related liens and security interests, are released, satisfied or otherwise discharged), and (v) contingent obligations to the Owner Trusts and Ambac Credit Products evidenced by the Facility Lessor Secured Notes and the Ambac Credit Products Secured Notes, respectively (until such time as all related liens and security interests evidenced by such Secured Notes are released, satisfied or otherwise discharged).

Priority of Payments. Notwithstanding any other provisions of the Intercreditor Agreement to the contrary, the LG&E Entities, the Creditors and the 2000 Parties agree that, notwithstanding the respective order or priority of recordation of the Restated Mortgage, the LEM Mortgage, the LG&E Subordinated Mortgage and the 2000 Parties Subordinated Mortgage, and, notwithstanding that the LG&E Entities have no security interest in certain of the assets and properties that have been pledged as collateral security to the Creditors and the 2000 Parties pursuant to the Restated Mortgage or the Security Agreements, including without limitation, the "2000 Collateral" subject to the Security Agreements, upon any foreclosure of the collateral securing the Restated Mortgage and the Security Agreements, if the LEM Mortgage, the LG&E Subordinated Mortgage and/or the 2000 Parties Subordinated Mortgage are foreclosed upon at such time, the proceeds of such foreclosure of the Collateral subject to the Restated Mortgage and the 2000 Collateral subject to the Security Agreements (to the extent, in the case of the Security Agreements, the Restated Mortgage Mortgagees are entitled to such proceeds) shall be distributed in the following order following the payment of the costs and expenses of foreclosure:

(a) First, pro rata (i) to CFC in payment of sums owed under the CFC Note provided that the maximum aggregate principal amount of the CFC Note given priority hereunder shall not exceed Fifteen Million Dollars ($15,000,000), (ii) to Ambac Assurance in payment of the Ambac Notes (as defined in the Restated Mortgage) secured by the lien of the Restated Mortgage, (iii) to CSFBNYB in payment of the CSFBNYB Notes secured by the lien of the Restated Mortgage; provided that if and to the extent that any amounts are due and payable but unpaid by Ambac Assurance under the 1983 Municipal Bond Insurance Policy (as defined in the Restated Mortgage) or the 1983 Surety Policy (as defined in the Restated

Mortgage), the portion of such payment which otherwise would have been payable to Ambac Assurance shall be payable to CSFBNYB until all amounts outstanding under the CSFBNYB Notes are paid in full and (iv) to the Series 2001A Trustee in payment of the Series 2001A Note secured by the lien of the Restated Mortgage;

(b) Second, to the LG&E Entities in payment of the sums described and provided in the Intercreditor Agreement under the heading "Capital Expenditures, Enhancements and SO2 Allowances";

(c) Third, (i) to LEM in payment of all amounts owed it under the Settlement Note and to WKEC in payment of all sums owed to WKEC or the Station Two Subsidiary pursuant to the New Participation Agreement, but excluding any sums owed in respect of Enhancements or Major Capital Improvements if any amounts are paid to the LG&E Entities under subsection (b) above, and (ii) to the holders of each Facility Lessor Secured Note and each Ambac Credit Products Secured Note for amounts owing under such Facility Lessor Secured Notes and Ambac Credit Products Secured Notes collectively. These payments shall be made pari passu and equal priority between the two classes described in subparts (i) and (ii) of this subsection, and then between the holders described in subpart (ii); provided, that all amounts owed to LEM and WKEC described in subpart (i) above shall be paid in full notwithstanding that the parties described in subpart (ii) above shall not be paid in full by receipt of an equivalent amount, with any deficit in payment to such parties described in subpart (ii) being met by payments made pursuant to subsection (d) below;

(d) Fourth, pari passu, and in equal priority, to the holders of each Facility Lessor Secured Note and each Ambac Credit Products Secured Note for amounts owing thereunder not previously paid pursuant to clause (ii) of subsection (c) above (after application of any credits provided thereunder).

(e) Fifth, to RUS in payment of the sums secured to RUS by the lien of the Restated Mortgage;

(f) Sixth, to the LG&E Entities, for amounts secured by the LG&E Subordinated Mortgage if such LG&E Subordinated Mortgage is being foreclosed in the same proceeding;

(g) Seventh, pari passu, and in equal priority to the 2000 Transaction Parties for amounts secured by the 2000 Parties Subordinated Mortgage in accordance with the provisions of the 2000 Parties Subordinated Mortgage if the 2000 Parties Subordinated Mortgage is being foreclosed in the same proceeding; and

(h) Eighth, to Big Rivers and the LG&E Entities with the LG&E Entities being entitled to share in the proceeds of the foreclosure (net of the payments described above) in the proportion that the net present value of the use and enjoyment of the Assets (other than Enhancements and Major Capital Improvements) by the LG&E Entities for the period of time remaining prior to December 31, 2023 bears to the fair market value of the Assets and the Key Station Two Contracts on the date of the foreclosure sale, determined on the basis that such sale had not occurred.

It is specifically agreed that none of Ambac, CSFBNYB, the Series 2001A Trustee, CFC, RUS, the LG&E Entities or the 2000 Transaction Parties shall have any obligation to insure or direct the payment of sums described in subsection (f) and (g) above other than amounts held by the Restated Mortgage Collateral Agent in accordance with the use of proceeds of the Alternative Settlement Option under a Big Rivers Swap, as described in the Intercreditor Agreement, and other than amounts applied from the proceeds of the Settlement Escrow Account by the Restated Mortgage Collateral Agent in accordance with the application of proceeds of the Alternative Settlement Option under a Big Rivers Swap, as described in the Intercreditor Agreement

Nondisturbance by Restated Mortgage Mortgagees or Mortgagees under 2000 Parties Subordinated Mortgage So long as no LG&E Entity is in default of any obligation under the Operative Documents (beyond any period given to them under any of such agreements to cure such default) as would entitle Big Rivers to terminate any of them or would cause, without any further action of Big Rivers, the termination of any of them or would

entitle Big Rivers to dispossess an LG&E Entity under the Operative Documents, all Creditors and all mortgagees under the 2000 Parties Subordinate Mortgage agree:

(a) that in the event the Restated Mortgage Mortgagees, any Restated Mortgage Mortgagee or a mortgagee or mortgagees under the 2000 Parties Subordinated Mortgage comes into possession of or acquires title to any of the Facilities (or any portion thereof) or rights of Big Rivers in connection with Station two or the Key Station Two Contracts or other Collateral, whether by reason of foreclosure, the enforcement of the Credit Agreements or otherwise as a result of any other means, then:

(i) the Operative Documents and the Key Station Two Contracts shall continue in full force and effect and shall not be terminated except in accordance with the terms of such agreements;

(ii) the LG&E Entities' occupancy, use and operation of the Facilities, Station Two, and any other Collateral (including any contractual rights or obligations of Big Rivers relating to the Key Station Two Contracts) and their rights and privileges, as applicable, under the Operative Documents shall not be disturbed, diminished or interfered with by the Restated Mortgage Mortgagees except in accordance with the terms of the Operative Documents during the term of the Operative Documents; and

(iii) the Restated Mortgage Mortgagees and the mortgagees under the 2000 Parties Subordinated Mortgage will not, based upon any default of Big Rivers under the Original Credit Agreements or any 2000 Operative Document, join any of the LG&E Entities or the City as a party defendant in any action or proceeding or take any other action for the purpose of terminating or otherwise interfering with any interest, right or estate of any of the LG&E Entities or the City under the Operative Documents or the Key Station Two Contracts.

(b) that in the event the Restated Mortgage Mortgagees, any Restated Mortgage Mortgagee or mortgagees under the 2000 Parties Subordinated Mortgage receive any proceeds of insurance (except in connection with any proceeds of insurance obtained pursuant to any Head Lease or any Facility Lease) resulting from any casualty, damage or destruction to any of the Collateral as to which the LG&E Entities have possession or use under the Operative Documents or which is reasonably necessary to the performance of the Operative Documents (collectively, the "Essential Collateral") or the proceeds of any condemnation (or the settlement of any claim in lieu of condemnation) of the Essential Collateral, notwithstanding any right of the Restated Mortgage Mortgagees or mortgagees under the 2000 Parties Subordinated Mortgage, pursuant to the Original Credit Agreements or the 2000 Operative Documents or otherwise, to apply such proceeds to the indebtedness or obligations of Big Rivers under the Original Credit Agreements or the 2000 Operative Documents, the receiving Restated Mortgage Mortgagees or mortgagees under the 2000 Parties Subordinated Mortgage, as the case may be, shall (i) make such proceeds of insurance available for application in accordance with the WKEC Lease or any comparable provisions of the Station Two Agreement and (ii) make such proceeds of condemnation available for application in accordance with the WKEC Lease.

Attornment to Restated Mortgage Mortgagees. If the Restated Mortgage Mortgagees or any Restated Mortgage Mortgagee acquire title to or the right to possession of the Essential Collateral, and for so long thereafter as that Restated Mortgage Mortgagee or those Restated Mortgage Mortgagees hold title to or possession of Essential Collateral, the LG&E Entities shall be bound to the acquiring Restated Mortgage Mortgagee(s) under all of the terms, covenants and conditions of the Operative Documents for the balance of the remaining term of the Operative Documents, with the same force and effect as if the acquiring Restated Mortgage Mortgagee(s) were Big Rivers, and the LG&E Entities do hereby agree to attorn to such acquiring Restated Mortgage Mortgagee(s), which attornment (i) shall be effective and self-operative without the execution of any other instruments by any party to the Intercreditor Agreement immediately upon such acquiring Restated Mortgage Mortgagee(s) succeeding to the interest of Big Rivers under the Operative Documents or acquiring title to or ownership or possession of the Facilities and other Essential Collateral and (ii) shall be on the basis of the Operative Documents, including without limitation, subject to the right of the LG&E Entities to exercise all rights and remedies they have under the terms of

the Operative Documents (including, without limitation, termination rights) against Big Rivers and its successors and assigns at any time, subject to the provisions of the Intercreditor Agreement.

Attornment to Third Parties as Successor to Restated Mortgage Mortgagee. If a Person other than a Restated Mortgage Mortgagee (a "Purchaser") acquires title to or the right to possession of the Facilities or other Essential Collateral, or succeeds to the interests of Big Rivers under the Operative Documents, or succeeds to the interest of any Restated Mortgage Mortgagee under the Credit Agreements or to the Essential Collateral, the LG&E Entities shall likewise be bound to such Purchaser, and they and each of them hereby covenant and agree that they shall attorn to such Purchaser (i) in accordance with all of the provisions of the Intercreditor Agreement and (ii) on the basis of the Operative Documents, including without limitation, subject to the right of the LG&E Entities to exercise all rights and remedies they have under the terms of the Operative Documents (including, without limitation, termination rights) against Big Rivers and its successors and assigns at any time, subject to the provisions of the Intercreditor Agreement. Before any sale or other transfer of the Facilities or any other Essential Collateral, or of any of Big River's rights or interests under the Operative Documents or the Key Station Two Contracts that are included in the Collateral, by or at the direction of a Restated Mortgage Mortgagee (including without limitation, any sale or transfer of such Collateral effected pursuant to a foreclosure action initiated or joined by that Restated Mortgage Mortgagee), and before any assignment of their respective rights regarding the Essential Collateral or such other Collateral under the Credit Agreements, that Restated Mortgage Mortgagee(s) shall obtain the Purchaser's written agreement to recognize the rights of the LG&E Entities under and be bound directly to them, as applicable, for the performance and observance of all the terms and conditions of (a) the Operative Documents and the Key Station Two Contracts required to be performed or observed by Big Rivers and (b) the Intercreditor Agreement required to be performed or observed by the Restated Mortgage Mortgagee and such agreement shall be for the benefit of and may be enforced by the LG&E Entities (and their successors and assigns) directly against the Purchaser.

Nondisturbance by 2000 Parties. So long as (i) no LG&E Entity is in default of any obligation under the WKEC Lease or the Power Purchase Agreement (beyond any period given to them under any of such agreements to cure such default) as would entitle Big Rivers to terminate either of them or would cause, without any further action of Big Rivers, the termination of any of them or would entitle Big Rivers to dispossess an LG&E Entity under the WKEC Lease or the Power Purchase Agreement, or (ii) in the case of the City Joint Facilities Agreement and the City Operating Agreement, no LG&E Entity is in default of any obligation under the Station Two Agreement (beyond any period given to them under such Agreements to cure such default) as would entitle Big Rivers to terminate the Station Two Agreement or would cause, without further action of Big Rivers, the termination of the Station Two Agreement or would entitle Big Rivers to dispossess each of the LG&E Entities under the Station Two Agreement, the 2000 Parties agree:

(a) that in the event the 2000 Parties or any 2000 Party has or comes into possession of a leasehold interest in the Wilson Unit, Plant Green or a Site or any other Essential Collateral under any Head Lease or Ground Lease by reason of or following a termination for any reason or an expiration of any Facility Lease or Ground Sublease (or any portion thereof), or otherwise as a result of any other means, or in the event the 2000 Parties or any 2000 Party has or comes into possession of any rights or interests under, in or to the WKEC Lease, the Power Purchase Agreement, the City Operating Agreement or the City Joint Facilities Agreement under any Facilities Lessee Assignment Agreement by reason of or following a termination for any reason or expiration of any Facilities Lessee Reassignment Agreement (or any portion thereof), or otherwise as a result of any other means, then:

(i) the WKEC Lease, Power Purchase Agreement, the City Operating Agreement and City Joint Facilities Agreement shall continue in full force and effect and shall not be terminated except in accordance with the terms of such agreements;

(ii) the LG&E Entities' occupancy, use and operation of the Wilson Unit, Plant Green and the Sites, and their rights and privileges, as applicable, under the WKEC Lease, the Power Purchase Agreement, the City Operating Agreement and City Joint Facilities Agreement shall not be disturbed, diminished or interfered with by the 2000 Parties except in accordance with

the terms of such agreements during the term of the WKEC Lease, the Power Purchase Agreement, the City Operating Agreement and City Joint Facilities Agreement; and

(iii) the 2000 Parties will not, based upon any default by Big Rivers under a Facility Lease or any other 2000 Operative Document, take any action for the purpose of terminating or otherwise interfering with any interest, right or estate of any of any LG&E Party or the City under the WKEC Lease, the Power Purchase Agreement or the City Joint Facilities Agreement.

(b) that in the event the 2000 Parties or any 2000 Party receive any proceeds of insurance (except in connection with any proceeds of insurance obtained pursuant to any Head Lease or any Facility Lease) resulting from any casualty, damage or destruction to any of the Essential Collateral or the proceeds of any condemnation (or the settlement of any claim in lieu of condemnation) of the Essential Collateral, notwithstanding any right of the 2000 Parties, pursuant to any Facility Lease or other 2000 Operative Document or otherwise, to apply such proceeds to the indebtedness or obligations of Big Rivers under the 2000 Operative Documents (including, but not limited to, the Facility Lessor Secured Notes and the Ambac Credit Products Secured Notes), the receiving 2000 Parties shall (i) make such proceeds of insurance available for application in accordance with the WKEC Lease and (ii) make such proceeds of condemnation available for application in accordance with the WKEC Lease.

Attornment to 2000 Parties. If the 2000 Parties or any 2000 Party has or acquires the right to possession of the Wilson Unit, Plant Green or any Site under any Head Lease or Ground Lease following the termination of a Facility Lease or Ground Sublease, and for so long thereafter as the 2000 Parties or any 2000 Party shall hold the right to possession of that Essential Collateral, the LG&E Entities shall be bound to the acquiring 2000 Party or 2000 Parties under all of the terms, covenants and conditions of the WKEC Lease and Power Purchase Agreement to the extent assigned under the Facility Lessee Assignment Agreement for the balance of the remaining term of the WKEC Lease and Power Purchase Agreement, with the same force and effect as if the acquiring 2000 Party or 2000 Parties were Big Rivers, and the LG&E Entities do hereby agree to attorn to such acquiring 2000 Party or 2000 Parties which attornment (i) shall be effective and self-operative without the execution of any other instruments by any party to the Intercreditor Agreement immediately upon the termination of the Facility Lessee Reassignment Agreement or such acquiring 2000 Party or 2000 Parties succeeding to the interest of Big Rivers under the WKEC Lease and Power Purchase Agreement as assigned under the Facility Lessee Assignment Agreement (or part thereof) or acquiring the right to possession of the Wilson Unit, Plant Green or any Site under any Head Lease or Ground Lease upon the termination of a Facility Lease and other Essential Collateral and (ii) shall be on the basis of the Operative Documents, including without limitation, subject to the right of the LG&E Entities to exercise all rights and remedies they have under the terms of the Operative Documents (including, without limitation, termination rights) against Big Rivers and its successors and assigns at any time, subject to the provisions of the Intercreditor Agreement. In furtherance of the agreement of the LG&E Entities set forth in the preceding sentence, the LG&E Entities acknowledge that, upon a termination of any Facility Lease in which the Facility Lessee Reassignment Agreement applicable to the Undivided Interest terminates, the LG&E Entities agree to attorn to the Owner Trust which is a party to such Facility Lease or its assignee, on the basis of the portion of the WKEC Lease, Power Purchase Agreement and payments under the City Joint Facilities Agreement and the City Operating Agreement assigned to such Owner Trust under its Facilities Lessee Assignment Agreement, including, making payments of the assigned portion of the rent owing under the WKEC Lease to such Owner Trust or its assignee, and selling the assigned portion of the power and energy to be sold under the Power Purchase Agreement to such Owner Trust or its assignee. Nothing contained therein shall be deemed to modify the obligations of the LG&E Entities under the WKEC Lease, the Power Purchase Agreement, the City Joint Facilities Agreement or the City Operating Agreement. The 2000 Parties agree that, notwithstanding the assignment of a portion of Big Rivers' right, title and interest in such agreements to the Owner Trusts under the Facility Lessee Assignment Agreement, as between the 2000 Parties and the LG&E Entities only, the rights and obligations of the LG&E Entities under the WKEC Lease, the Power Purchase Agreement, the Station Two Agreement, the City Joint Facilities Agreement and the City Operating Agreement are not divisible except to the extent expressly set forth in the second preceding sentence, and Big Rivers is not released from any of its obligations under any of such agreements, it being expressly understood that the 2000 Parties take such commitments from the LG&E Entities subject to all of the rights, claims and interests of the LG&E Entities under the WKEC Lease, the Power Purchase Agreement, the Station Two Agreement, the City Joint Facilities Agreement, the City Operating Agreement and the other Operative Documents (including without

limitation, the right to terminate those Operative Documents upon a breach or default by Big Rivers thereunder). Specifically, the 2000 Parties acknowledge that the assignment of Big Rivers' right to receive certain payments from the City under the City Operating Agreement and City Joint Facilities Agreement, which payments are assigned to the Owner Trusts under the Facility Lessee Assignment Agreement, is subject to the Station Two Subsidiary's prior right to receive and retain such payments under the Station Two Agreement free of the liens and other rights created by the Restated Mortgage, the 2000 Parties Subordinate Mortgage and the other 2000 Operative Documents. Each Owner Trust and each assignee of an Owner Trust's interest in the WKEC Lease and the Power Purchase Agreement shall each be entitled (but shall not be obligated to) to cure defaults under the WKEC Lease and the Power Purchase Agreement resulting from any default by Big Rivers or any Owner Trust thereunder, but only in accordance with the grace or cure provisions of the WKEC Lease, the Power Purchase Agreement, the New Participation Agreement and the Intercreditor Agreement. Each Owner Trust agrees with the LG&E Entities that, if Big Rivers shall be replaced as "Operator" of Plant Green or the Wilson Unit pursuant to either Operating and Support Agreement, the Owner Trusts will appoint another entity responsible for performing the obligations of Big Rivers set forth in each Operating and Support Agreement and Big Rivers agrees such entity shall perform the obligations set forth in each Operating and Support Agreement on behalf of all Owner Trusts and Big Rivers if Big Rivers shall continue to have any continuing interest in any Facilities. The LG&E Entities shall be entitled to rely upon instructions, notices, consents or other actions delivered by Big Rivers or a party designated to perform the obligations under an Operating and Support Agreement in replacement of Big Rivers pursuant to either Operating and Support Agreement, and may assume any such instructions, notices, consents or other actions are consistent with, and permitted by, the 2000 Operative Documents for all purposes of the Intercreditor Agreement. The LG&E Entities shall not be obligated to rely on the instructions, notices, consents or other actions of any Person other than Big Rivers or its designated replacement. Where Big Rivers shall have any continuing interests in any Facilities other than Plant Green and the Wilson Unit or shall continue to be a party to the WKEC Lease or the Power Purchase Agreement following the termination of a Facilities Lessee Assignment Agreement, the LG&E Entities shall be entitled to rely solely upon the instructions, notices, consents and other actions of Big Rivers or of a replacement designated jointly by Big Rivers and the 2000 Parties and not those of any other Person designated by the 2000 Parties alone. Nothing shall prevent any 2000 Party from exercising any of their respective rights or remedies provided for in the Operative Documents and/or the Key Station Two Contracts to the extent consistent with the provisions of the Operative Documents.

Attornment to Third Parties as Successor to 2000 Parties. If a Person other than a 2000 Party (a "Third-Party Purchaser") acquires the right to possession of an undivided interest in the Wilson Unit or Plant Green under any Head Lease following the termination of a Facility Lease or an undivided interest in any Site under any Ground Lease following the termination of a Ground Sublease or other Essential Collateral, or succeeds to the interests of Big Rivers under any of the 2000 Operative Documents, or succeeds to the interest of any Owner Trust under any Head Lease, Facility Lease and other 2000 Operative Documents or to the Power Purchase Agreement, WKEC Lease, City Operating Agreement or City Joint Facilities Agreement, as partially assigned, the LG&E Entities shall likewise be bound to such Third-Party Purchaser, and they and each of them hereby covenant and agree that they shall attorn to such Third-Party Purchaser (i) in accordance with all of the provisions of the Intercreditor Agreement and (ii) on the basis of the Operative Documents, including without limitation, subject to the right of the LG&E Entities to exercise all rights and remedies they have under the terms of the Operative Documents (including, without limitation, termination rights) against Big Rivers and its successors and assigns at any time, subject to the provisions of the Intercreditor Agreement. Before any sale or other transfer of an interest in the Essential Collateral (including, without limitation, any interest under a Head Lease or Ground Lease following termination of a Facility Lease or Ground Sublease, as applicable), by or at the direction of the 2000 Party (including without limitation, any sale or transfer of such Collateral effected pursuant to a foreclosure action initiated or joined in by that 2000 Party), before any assignment of their respective rights regarding the Essential Collateral under the 2000 Operative Documents and before any assignment of any rights or interests under or relating to the WKEC Lease, the Power Purchase Agreement, the City Operating Agreement or the City Joint Facilities Agreement (or under or relating to the related Facility Lessee Assignment Agreement), that 2000 Party shall secure the Third-Party Purchaser's written agreement to recognize the rights of the LG&E Entities under and be bound directly to them, as applicable, for the performance and observance of all the terms and conditions of (a) the WKEC Lease, the Power Purchase Agreement, the City Operating Agreement and the City Joint Facilities Agreement required to be performed or observed by Big Rivers, and (b) the Intercreditor Agreement required to be performed or observed by the 2000 Party, and such agreement shall be for the benefit of and may be enforced by the LG&E Entities (and their

successors and assigns) directly against the Third-Party Purchaser. Any such sale, other transfer or assignment shall be subject, however, to the rights of the LG&E Entities set forth in the Intercreditor Agreement.

Rights Upon Creditors' Notice of Default. Any Creditor giving a notice of default to Big Rivers under an Original Credit Agreement shall provide each other Creditor, WKEC, as agent for the LG&E Entities, and each 2000 Transaction Party, with a copy of such notice of default at the same time such notice is given to Big Rivers. Following the giving by that Creditor of notice of default to Big Rivers under an Original Credit Agreement, but before that Creditor shall commence foreclosure of Big Rivers' interest in the Facilities or the other Collateral, the LG&E Entities and each 2000 Transaction Party shall be given an opportunity to (but shall not be obligated to):

(a) Cure, or assist Big Rivers in curing, according to the terms of the Original Credit Agreements, any default of Big Rivers by making payment to Creditors or by fulfilling any other obligation of Big Rivers under the Original Credit Agreements provided such cure shall be effected within ten (10) days of the receipt of such notice by such LG&E Entity or 2000 Transaction Party as to payment defaults and within thirty (30) days of the receipt of such notice as to defaults under an Original Credit Agreement other than the payment of money unless such cure cannot be reasonably effected within such time in which case, such cure shall be commenced within such thirty (30) day period and thereafter diligently completed; and

(b) In the case of the LG&E Entities, continue to exercise their rights of set-off against Big Rivers as set forth in the Operative Documents provided such set-off rights have commenced to be exercised prior to the giving of such notice of default.

Rights Upon LG&E Entities' Notice of Default. (a) WKEC, as agent for the LG&E Entities, shall provide to Creditors a copy of any notice given to Big Rivers of a default by Big Rivers under the terms of the Operative Documents or the Key Station Two Contracts. Following the giving by WKEC of such notice of default to Big Rivers, but before the termination by any of the LG&E Entities of any of the Operative Documents or the Key Station Two Contracts shall become effective, the Creditors shall be given an opportunity to (but shall not be obligated to):

(i) Cure, or assist Big Rivers in curing, according to the terms of the Operative Documents or the Key Station Two Contracts, as applicable, any default of Big Rivers by making payments to WKEC, as agent for the LG&E Entities, or by fulfilling any other obligation of Big Rivers under the Operative Documents or the Key Station Two Contracts, as applicable, provided such cure shall be effected within ten (10) days of the receipt of such notice by Creditors as to payment defaults and within thirty (30) days of the receipt of such notice as to defaults other than the payment of money unless such cure cannot be reasonably effected within such time in which case, such cure shall be commenced within such thirty (30) day period and thereafter diligently completed; and

(ii) Exercise any rights available to Creditors to direct performance by Big Rivers under the Operative Documents and the Key Station Two Contracts, as applicable.

(b) WKEC, as agent for the LG&E Entities, shall also provide to the 2000 Transaction Parties a copy of any notice, at the same time such notice is, given to Big Rivers of a default by Big Rivers under the terms of the Operative Documents or the Key Station Two Contracts. Following the giving by WKEC of such notice of default to Big Rivers, the 2000 Transaction Parties shall be given an opportunity to (but shall not be obligated to):

(i) Cure, or assist Big Rivers in curing, according to the terms of the Operative Documents and the Key Station Two Contracts, as applicable, any default of Big Rivers by making payments to WKEC, as agent for the LG&E Entities, or by fulfilling any other obligation of Big Rivers under the Operative Documents or the Key Station Two Contracts, as applicable, provided such cure shall be effected within any applicable grace or cure period provided under the terms of the Operative Documents or Key Station Two Contracts for performance by Big Rivers

(which periods as they relate to the 2000 Transaction Parties, will be deemed to commence as of their receipt of the notice from the relevant LG&E Entity as contemplated above); and

(ii) Exercise any rights available to the 2000 Parties to direct performance by Big Rivers under the WKEC Lease and the Power Purchase Agreement, as applicable.

Rights Upon 2000 Party's Notice of Default. Each 2000 Party agrees to provide to the Creditors and to WKEC, as agent for the LG&E Entities, a copy of any notice, at the same time such notice is, given by it to Big Rivers of a default by Big Rivers under the terms of any 2000 Operative Document. Following the giving by such 2000 Party of such notice of default to Big Rivers, the Original Creditors and LG&E Entities shall each be given an opportunity to (but shall not be obligated to):

(a) Cure, or assist Big Rivers in curing, according to the terms of the 2000 Operative Documents any default of Big Rivers by making payments to such 2000 Party or by fulfilling any other obligation of Big Rivers under the 2000 Operative Documents, provided such cure shall be effected within the applicable grace or cure period specified in such Facility Lease (which period, as they relate to the LG&E Entities, will be deemed to commence as of their receipt of the notice from the relevant 2000 Party as contemplated above); and

(b) Exercise any rights available to the Creditors or LG&E Entities to direct performance by Big Rivers under the 2000 Operative Documents.

Waiver of Defaults. Notwithstanding any other provision of the Intercreditor Agreement, the Operative Documents, the Key Station Two Contracts, the Original Credit Agreements or the 2000 Operative Documents, any party hereto (the "Waiving Party") may, in writing, waive or choose to waive and ignore any default by Big Rivers in the performance of its obligations under any of the foregoing agreements to which such Waiving Party is a party and to which the related obligation was owed, and in such event, the occurrence or existence of any such default by Big Rivers which is waived or ignored shall not be the basis for any of such other agreements being declared to be in default or breach by any other party to the Intercreditor Agreement, in each case unless such default or breach is also of an obligation to such other party and is not waived by such other party.

Timing of Foreclosure of LEM Mortgage. LEM and WKEC, as applicable, shall commence foreclosure of the LEM Mortgage at such time (but not before such time) that (i) a default exists beyond any applicable cure period under (x) the Settlement Note or (y) the Operative Documents such that an LG&E Parties Residual Value Payment is due and owing and has not been paid and (ii) the Operative Documents (other than the Intercreditor Agreement, the LEM Mortgage, the LG&E Subordinated Mortgage, the Settlement Promissory Note, the Guaranty and any other non-disturbance agreements that may hereafter be entered into as contemplated in the Intercreditor Agreement) have expired or terminated in accordance with their terms or in consequence of a default by Big Rivers thereunder (including without limitation by reason of a rejection in bankruptcy by Big Rivers) or any LG&E Entity has terminated or given notice of its determination to terminate those Operative Documents as a result of a default by Big Rivers under the Operative Documents giving rise to the right of the LG&E Entities to terminate those Operative Documents. If LEM or WKEC commence an action to foreclose the LEM Mortgage in accordance with the preceding sentence, the Creditors and the 2000 Parties that are parties to the Security Agreements, as applicable, shall commence foreclosure under the Restated Mortgage and the Security Agreements, respectively, and proceed to realize upon all liens and security interests created by the Restated Mortgage (including all liens and security interests held in all Collateral) and the Security Agreements (including all liens and security interests held in all 2000 Collateral) in which any such 2000 Party shall then be permitted to exercise rights as a secured party in the same tribunal with the intention that the foreclosure of the LEM Mortgage, the Restated Mortgage and such Security Agreements shall occur simultaneously. The preceding sentence shall not obligate any 2000 Party to initiate the exercise of any rights under the Restated Mortgage or, except as required by the preceding sentence, participate in any foreclosure thereof or preclude any 2000 Party from exercising any rights or remedies available to such 2000 Party under any other 2000 Operative Document which does not involve the exercise of rights or remedies under the Restated Mortgage. All parties to the Intercreditor Agreement agree that they shall each support a transfer of a state court foreclosure action to the United States District Court for the Western District of Kentucky. A foreclosure of the Restated Mortgage or the 2000 Parties Subordinated Mortgage at any time prior to a foreclosure

of the LEM Mortgage or the LG&E Subordinated Mortgage shall not affect the liens and security interests of the LEM Mortgage or the LG&E Subordinated Mortgage which shall remain in place and the Creditors and the 2000 Parties shall specifically provide in the foreclosure that the liens and security interests of the LEM Mortgage and the LG&E Subordinated Mortgage shall continue undisturbed and that the Collateral shall be sold subject to the liens and security interests of the LEM Mortgage and the LG&E Subordinated Mortgage.

Obligations of Creditors and 2000 Parties as Restated Mortgage Mortgagees. So long as no LG&E Entity is in default of any obligations under any Operative Documents and the Key Station Two Contracts (beyond any applicable cure periods provided therein) such that such agreements and contracts are subject to termination by Big Rivers, the Restated Mortgage Mortgagees and the mortgagees under the 2000 Parties Subordinated Mortgage, as successors to Big Rivers, agree that:

(a) If a Creditor or a 2000 Party determines to foreclose Big Rivers' interest in any part of the Collateral under the Restated Mortgage or the 2000 Parties Subordinated Mortgage, such Creditor or such 2000 Party shall foreclose Big Rivers' interest in all Essential Collateral including Big Rivers' interest in the Operative Documents.

(b) All Essential Collateral included in the Collateral described in the preceding paragraph shall, if foreclosed upon by the Creditors or 2000 Parties, be sold or transferred to a single Purchaser who shall be possessed of all permits and licenses required by federal, state or local law to enable such Purchaser to own all of the Essential Collateral and to perform the terms, covenants and conditions of the Operative Documents and the Intercreditor Agreement to be performed by Big Rivers.

(c) If the Creditors or 2000 Parties or any of them or a Purchaser acquires Big Rivers' interest in the Facilities and the other Essential Collateral, such Creditors or 2000 Parties or Purchaser (or successor or assign), as applicable, shall be bound to the LG&E Entities under all of the terms, covenants and conditions of the Operative Documents as if such Creditors or 2000 Parties or the Purchaser, as applicable, were Big Rivers, and such Creditors or 2000 Parties or the Purchaser shall unconditionally assume and undertake to discharge all obligations of Big Rivers under the Operative Documents arising on or after the date of their taking or receiving an assignment of the rights of Big Rivers under the Operative Documents, including, without limitation, the obligations set forth in the New Participation Agreement with respect to any subsequent "Transfer" of the Facilities or other Essential Collateral by the Creditor or 2000 Party or such Purchaser.

(d) Before acquiring any such right or title to Big Rivers' interest, such Creditors or 2000 Parties or the Purchaser, as applicable, shall execute and deliver to WKEC, on behalf of the LG&E Entities, a written instrument expressly assuming Big Rivers' obligations under the Operative Documents arising on and after the date of such acquisition.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture and is not to be considered as a full statement of the provisions thereof. This summary is qualified by reference to and is subject to the complete Bond Indenture, copies of which are available for inspection at the principal offices of Big Rivers and the Trustee. All capitalized terms used in the summary and not defined herein or elsewhere in this Offering Statement shall have the meanings given to them in the Bond Indenture.

Limited Pledge

The 2001 Bonds are not payable from or charged upon any funds other than the Trust Estate pledged to the payment thereof, nor will the County be subject to any liability thereon. No Owners of any of the 2001 Bonds will ever have the right to compel any exercise of the taxing power of the County to pay any such 2001 Bonds or the interest thereon, nor to enforce payment thereon against any property of the County. The 2001 Bonds shall not constitute a charge, lien nor encumbrance, legal or equitable, upon any property of the County. The 2001 Bonds do not constitute debt of the County within the meaning of any constitutional or statutory limitation. The 2001 Bonds will not be a general obligation of the County and will not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Bond Fund; Application of Revenues

A Bond Fund is established by the Bond Indenture as a trust fund to be used by the Trustee to pay when due the principal of, premium, if any, and interest on the 2001 Bonds. The Receipts and Recoveries of the County from the Financing Agreement are to be remitted directly to the Trustee for the account of the County and deposited in the Bond Fund. The Bond Indenture provides that said payments shall be sufficient in amount to pay the principal of the 2001 Bonds when due at maturity and interest on the 2001 Bonds when due from time to time. The entire amount of Receipts and Revenues of the County from the Financing Agreement are pledged to the payment of the principal of the 2001 Bonds when due at maturity and interest on the 2001 Bonds when due.

The Receipts and Revenues of the County from the Financing Agreement are all moneys paid by Big Rivers under the Financing Agreement. These amounts are equal to the principal of the 2001 Bonds when due at maturity and interest when due on the 2001 Bonds. The obligation of Big Rivers to pay these amounts are evidenced by the 2001 Note.

The County has covenanted and agreed that so long as any of the 2001 Bonds are Outstanding it will deposit, or cause to be deposited, in the Bond Fund sufficient sums from the Receipts and Revenues of the County from the Financing Agreement promptly to meet and pay the principal of the 2001 Bonds when due at maturity or by acceleration and interest on the 2001 Bonds when due. A 2001 Bond is "Outstanding" within the meaning of the Bond Indenture if it has been authenticated and delivered, unless (i) such Bond has been cancelled or acquired by the Trustee for cancellation, (ii) cash has been deposited with the Trustee in an amount equal to the principal thereof and interest thereon to maturity, (iii) such Bond has otherwise been paid in accordance with the defeasance provisions of the Bond Indenture, (iv) another 2001 Bond has been authenticated and delivered in exchange or in substitution for such Bond or (v) such Bond is held or owned by Big Rivers.

Investments

Any moneys held as a part of the Bond Fund shall be invested or reinvested by the Trustee, to the extent permitted by law, in Investment Securities selected by Big Rivers. Investment Securities are defined as the following securities, maturing or redeemable at the option of the holder thereof at such time or times as to enable

disbursements to be made from the Bond Fund, in accordance with the terms of the Bond Indenture, or which shall be marketable prior to the maturities thereof:

(a) Direct obligations of, or obligations guaranteed by, the United States of America;

(b) Obligations of any of the following federal agencies which Obligations represent the full faith and credit of the United States of America:

Export-Import Bank
Farm Credit System Financial Assistance Corporation
Farmers Home Administration
General Services Administration
U.S. Maritime Administration
Small Business Administration
Government National Mortgage Association (GNMA)
U.S. Department of Housing & Urban Development (PHA's) and
Federal Housing Administration;

(c) U.S. dollar denominated certificates of deposit (whether negotiable or non-negotiable), demand deposits, time deposits and banker's acceptances with any bank or trust company organized under the laws of any state of the United States of America or any national banking association whose deposit obligations on the date of purchase are rated either "A-1" or better by Standard & Poor's Credit Market Services (a division of the McGraw-Hill Companies, Inc.) ("S&P") and "P-1" or better by Moody's Investors Service ("Moody's") (provided that a rating on a holding company shall not be deemed to be such rating on a subsidiary bank);

(d) Commercial paper which is rated at the time of purchase either "A-1" or better by S&P and "P-1" or better by Moody's and which matures not more than 270 days after the date of purchase;

(e) Senior debt Obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(g) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(2) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) Investment Agreements approved in writing by Ambac Assurance with notice to S&P; and

(i) other forms of investments (including repurchase Agreements) approved in writing by Ambac Assurance with notice to S&P.

Tax Covenant

The County covenants to maintain the exclusion of interest on the 2001 Bonds from gross income for federal income tax purposes pursuant to the Code, and will take, or require to be taken, such acts as may from time to time be required under applicable law and regulation to continue the exclusion of the interest on the 2001 Bonds from gross income for federal income tax purposes; and in furtherance of such covenants, the County agrees to comply with the Tax Certificate and the provisions of the 1954 Code, as amended by the Tax Reform Act of 1986. The County further covenants that it will not take any action or fail to take any action with respect to the 2001 Bonds which would cause the 2001 Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code, and any regulations promulgated or proposed thereunder or under Section 103(c) of the 1954 Code, as amended. The County shall make any and all payments required to be made to the United States Department of the Treasury in connection with the 2001 Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the funds and accounts established under the Bond Indenture and available therefor. The County covenants that it will not use or permit the use of any property financed or refinanced with the proceeds of the 2001 Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of exclusion of the interest on the 2001 Bonds from gross income for federal income tax purposes (other than during the period the 2001 Bonds are held by a "substantial user" of the facilities financed or refinanced with proceeds of the 2001 Bonds or a "related person" within the meaning of Section 147(a) of the Code).

Notwithstanding any other provisions of the Bond Indenture to the contrary, so long as necessary in order to maintain the exclusion of interest on the 2001 Bonds from gross income for federal income tax purposes under Section 103(a) of the Code, the covenants described in the preceding paragraph shall survive the payment of the 2001 Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Bond Indenture.

Events of Default; Remedies

The following each constitutes an "Event of Default" for the purposes of the Bond Indenture:

(a) a failure by either the County or Ambac Assurance to pay within one day of when due the principal of the 2001 Bonds on the stated maturity date thereof or interest on any of the 2001 Bonds with the result that such principal or interest remains unpaid as of such date; or

(b) an "event of default" as defined in the Financing Agreement shall have occurred and be continuing; or

(c) acceleration of payment of any note secured by the Mortgage pursuant to an event of default as defined in the Mortgage; or

(d) Big Rivers shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or thereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or substantially all of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the foregoing; or an involuntary case or other proceeding shall be commenced against Big Rivers seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or substantially all of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 days.

Upon the occurrence and continuance of an Event of Default described in clause (c) above, the Trustee shall, and upon the occurrence and continuance of any other Event of Default, the Trustee may, with the consent of Ambac Assurance if the Municipal Bond Insurance Policy is in effect and Ambac Assurance is not in breach of any of the provisions thereof, and upon the written request of the Owners of not less than 50% in aggregate principal amount of 2001 Bonds then Outstanding the Trustee shall, declare the principal amount of all 2001 Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable, and the Trustee shall give notice thereof in writing to the County and Big Rivers, and notice to Owners in the same manner as a notice of redemption. Upon any declaration of acceleration under the Bond Indenture, the County and the Trustee shall immediately declare all payments due on the 2001 Note to be immediately due and payable as provided in the Financing Agreement.

If, at any time after such declaration, but before the 2001 Bonds shall have matured by their terms, all overdue installments of principal and interest upon the 2001 Bonds, together with interest on such overdue installments of principal and interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the County under the Bond Indenture (except the principal of, and interest accrued since the next preceding interest payment date on, the 2001 Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the County or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the 2001 Bonds or under the Bond Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Owners of 50% in aggregate principal amount of the 2001 Bonds Outstanding, by written notice to the County and to the Trustee may rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of maturity of principal and interest on the 2001 Note, as provided in the Financing Agreement.

If the Trustee receives notice that the acceleration of the notes under the Mortgage has been rescinded, then the Trustee shall rescind any declaration of acceleration of the maturity of principal of and interest on the Bonds. In the event of such rescission of a declaration of acceleration of the Bonds, the Trustee shall also rescind any declaration of acceleration of the maturity of the 2001 Note. In case of any rescission, then and in every such case the County, the Trustee and the Owners shall be restored to their former positions and rights under the Bond Indenture respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon nor shall such rescission extend to any instance in which the holder of any note secured under the Mortgage other than the 2001 Note has subsequent to a request for rescission declared all unpaid principal of and accrued interest on such other note to be due and payable immediately.

Exercise of Remedies by Trustee

Upon the happening of any Event of Default or upon the failure by the County to observe and perform any covenant, condition, agreement or provision contained in the 2001 Bonds or the Bond Indenture, then and in every such case the Trustee in its discretion may, with the consent of Ambac Assurance if the Municipal Bond Insurance Policy is in effect and Ambac Assurance is not in breach of any of provisions thereof, and upon the written request of the Owners of not less than 25% in principal amount of the 2001 Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the County or Big Rivers to carry out any agreements with or for the benefit of the Owners and to perform its or their duties under the Act, the Financing Agreement, the 2001 Note, the Mortgage, the Intercreditor Agreement and the Bond Indenture;

(b) bring suit upon the 2001 Bonds and under the Mortgage with respect to the 2001 Note;

(c) by action or suit in equity require the County to account as if it were the trustee of an express trust for the Owners; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners.

In case any proceeding taken by the Trustee to enforce any right under the Bond Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every case the County, the Trustee and the Owners shall be restored to their former positions and rights thereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Owner Direction of Remedial Proceedings

The Owners of a majority in principal amount of the 2001 Bonds then Outstanding shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Bond Indenture or exercising any trust or power conferred on the Trustee by the Bond Indenture. See, however, "Provisions Relating to Bond Insurance" herein.

Limitations on Proceedings by Owners

No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Bond Indenture, or any other remedy thereunder or on the 2001 Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as described above and unless also the Owners of not less than 25% in principal amount of the 2001 Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to institute said suit, action or proceeding shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Bond Indenture, or to enforce any right thereunder or under the 2001 Bonds, except in the manner therein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners. See, however, "Provisions Relating to Bond Insurance" herein.

Application of Moneys Recovered

Any moneys received by the Trustee, by any receiver or by any Owner pursuant to any right given or action taken under the Bond Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances due to, or incurred or made by the Trustee, shall be deposited in the Bond Fund, and all moneys so deposited in the Bond Fund during the continuance of an Event of Default (other than moneys for the payment of 2001 Bonds that have matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

(a) Unless the principal of all the 2001 Bonds shall have become due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the 2001 Bonds, with interest on overdue installments, if lawful, at the same rate or rates per annum as specified in the 2001 Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment with such interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal (and premium, if any) of any of the 2001 Bonds which shall have become due at maturity (other than 2001 Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Bond Indenture), in the order of their due dates, with interest on such 2001 Bonds at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full 2001 Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal (and premium, if any) due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the 2001 Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the 2001 Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any 2001 Bond over any other 2001 Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the 2001 Bonds shall have become due and payable, and if such event shall thereafter have been rescinded and annulled under the provisions of the Bond Indenture, then, subject to the provisions of paragraph (b) which shall be applicable in the event that the principal of all the 2001 Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a).

Whenever moneys are to be applied pursuant to the provisions of the Bond Indenture described above, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such dates shall cease to accrue. The Trustee shall give notice by mailing, as it may deem appropriate, of the deposit with it of any such moneys and of the filing of any such date to any Owner until such 2001 Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Modifications and Amendments

Supplemental Bond Indenture without Owner Consent

The County and the Trustee may, from time to time and at any time, without the consent of or notice to Owners and solely to the extent not contrary to or inconsistent with the Mortgage, enter into Supplemental Bond Indentures as follows:

(a) To specify and determine any matters and things relative to the 2001 Bonds which are not contrary to or inconsistent with the Bond Indenture and which shall not materially adversely affect the interests of the Owners; or

(b) To cure any ambiguity, or to cure, correct or supplement any defect, omission or inconsistent provisions contained in the Bond Indenture, the Financing Agreement, the Mortgage, or the 2001 Note, or to make any provisions with respect to matters arising under the Bond Indenture for any other purpose if such provisions are necessary or desirable and if such action does not in the sole opinion of the Trustee adversely affect the interests of the Owners; or

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Bond Indenture, Financing Agreement, the Mortgage or the 2001 Note as theretofore in effect; or

(d) To add to the covenants and agreements of the County in the Bond Indenture, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(e) To add to the limitations and restrictions in the Bond Indenture, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(f) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Bond Indenture, of the Receipts and Revenues of the County from the Financing Agreement or of any other moneys, securities or funds; or

(g) To comply with the requirements of the Trust Bond Indenture Act of 1939, as from time to time amended; or

(h) To subject to the Bond Indenture additional revenues; or

(i) To make any other changes which do not in the sole opinion of the Trustee materially adversely affect the interests of the Owners (determined without regard to the existence of the Municipal Bond Insurance Policy).

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interest of any Owners would be adversely affected by any modification or amendment of the Bond Indenture and any such determination shall be binding and conclusive on the County, Big Rivers and all Owners. The Trustee shall have no liability as a result of any such determination made in good faith. The interests of an Owner shall be deemed to be adversely affected by any modification or amendment of the Bond Indenture if such modification or amendment adversely affects or diminishes the rights of such Owner.

Before the County shall enter into any Supplemental Bond Indenture without the consent of the Owners, there shall have been filed with the Trustee an opinion, signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, stating that such Supplemental Bond Indenture is authorized or permitted by the Bond Indenture and complies with its terms, and that it will be valid and binding upon the County in accordance with its terms; provided, however, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization and other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally.

Supplemental Bond Indentures with Owner Consent

For amendments not described immediately above, the Owners of not less than a majority in aggregate principal amount of the 2001 Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the County and the Trustee of any Supplemental Bond Indenture as shall be deemed necessary or desirable by the County for the purposes of modifying, altering, amending, supplementing or rescinding any of the terms or provisions contained in the Bond Indenture; provided, however, that, unless approved in writing by the Owners of all affected 2001 Bonds then Outstanding, nothing in the Bond Indenture contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of and interest on any Outstanding 2001 Bond, or a reduction in the principal amount or redemption price of any Outstanding 2001 Bond or the rate of interest thereon or in any maturity with respect thereto, or (ii) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the County from the Financing Agreement ranking prior to or on a parity with the claim, lien or pledge created by the Bond Indenture, or (iii) a preference or priority of any 2001 Bond or 2001 Bonds over any other 2001 Bond or 2001 Bonds, or (iv) a reduction in the aggregate principal amount of 2001 Bonds the consent of the Owners of which is required for any such Supplemental Bond Indenture. See, however, "Provisions Relating to Bond Insurance" herein.

If at any time the County shall determine to enter into any Supplemental Bond Indenture for any of the permitted purposes, it shall cause notice of the proposed Supplemental Bond Indenture to be mailed to the Owners. Such notice shall briefly set forth the nature of the proposed Supplemental Bond Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Owners.

Within one year after the date of such notice, the County may enter into such Supplemental Bond Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (a) the written consents of Owners of not less than a majority in aggregate principal amount of the 2001 Bonds then Outstanding, or, if required thereunder, by all Owners, and (b) an opinion of Bond Counsel stating that such

Supplemental Bond Indenture is authorized or permitted by the Bond Indenture and complies with its terms, and that upon execution and delivery it will be valid and binding upon the County in accordance with its terms; provided, however, that such opinion may take exception for the effect of bankruptcy, insolvency, moratorium, reorganization and other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual Obligations generally.

When Big Rivers Consent Required

Any Supplemental Bond Indenture which affects any rights, powers and authority of Big Rivers under the Bond Indenture or under the Financing Agreement or 2001 Note or requires a revision of the Financing Agreement, the 2001 Note or the Mortgage shall not become effective unless and until Big Rivers and RUS shall have consented in writing to such Supplemental Bond Indenture.

Amendment of Financing Agreement or the 2001 Note without Owner Consent

Without the consent of or notice to the Owners, the County and the Trustee may consent to any amendment, change or modification of the Financing Agreement or the 2001 Note not inconsistent with the Mortgage as may be required (i) by the provisions of the Financing Agreement, the 2001 Note and the Bond Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) to conform to any modifications to or alterations permitted by the Mortgage or the Bond Indenture, if such provisions are necessary or desirable and do not in the sole opinion of the Trustee materially adversely affect the interest of the Owners or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the Owners. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the Owners would be adversely affected by any such modification or amendment, and any such determination by the Trustee shall be binding and conclusive on Big Rivers, the County and all Owners and the Trustee shall have no liability as a result of any such determination made in good faith.

Amendment of Mortgage and 2001 Note

The Trustee shall not exercise any of the rights of a holder of the 2001 Note under the Mortgage to permit any amendment, modification, supplement or consolidation of the Mortgage, the Intercreditor Agreement or the 2001 Note, changing the times, amounts or currency of payment of the payments due on the 2001 Note, without the prior written consent of the Owners of the 2001 Bonds adversely affected thereby. The Trustee may otherwise consent to the amendment or modification of the Mortgage or exercise any other rights thereunder of an Owner of the 2001 Note either (i) without notice to or consent of any Owner if the Trustee, in its sole discretion, deems the effects of such exercise, taken as a whole, to be not materially adverse to the interests of the Owners or (ii) in any event, upon notice by the Trustee to the Owners of the action proposed to be taken and the consent thereto of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such notice to or consent of the Owners shall be required in connection with any supplemental mortgage or other instrument as may be required by the provisions of the Mortgage. The Trustee has agreed, pursuant to the terms of the Bond Indenture, to execute and deliver all such further instruments as may be required by the provisions of the Mortgage. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the Owners would be adversely affected by any modification or amendment of the Mortgage or the 2001 Note and any such determination by the Trustee shall be binding and conclusive on Big Rivers, the County and all Owners and the Trustee shall have no liability as a result of any such determination made in good faith. Notwithstanding the foregoing, so long as the Municipal Bond Insurance Policy is in effect and Ambac Assurance is not in default under the Municipal Bond Insurance Policy, the Trustee, as assignee of the County, will only act on the written directions of Ambac Assurance.

Defeasance

Any 2001 Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid and all covenants, agreements and other obligations of the County to the Owners shall thereupon cease, terminate and become void if the following conditions are met: (i) in case such 2001 Bond is to be redeemed on any date prior to its maturity, Big Rivers and the County shall have given to the Trustee, in form satisfactory to it, unconditional and

irrevocable instructions and notice to give notice of redemption of such 2001 Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or obligations of or guaranteed as to principal and interest by the United States of America, or certificates of an ownership interest in the principal of or interest on obligations of or guaranteed as to principal and interest by the United States of America, which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of, premium, if any, and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee or any co-paying agent at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on such 2001 Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such 2001 Bonds do not mature or are not by their terms subject to redemption within the next succeeding 60 days, Big Rivers and the County shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, a notice to the Owners of such 2001 Bonds that the deposit required by (ii) above has been made with the Trustee and that said 2001 Bond are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and interest on such 2001 Bonds.

Any cash received from such principal or interest payments on such obligations deposited with the Trustee, (a) to the extent such cash will not be required at any time for such purpose, shall be paid over to Big Rivers as received by the Trustee, free and clear of any trust, lien or pledge, and (b) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in obligations or certificates of the type described in clause (ii) of the preceding paragraph maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on such 2001 Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to Big Rivers, as received by the Trustee, free and clear of any trust, lien or pledge.

Provisions Relating to Bond Insurance

Ambac Assurance Deemed Owner of All Bonds for Certain Purposes. So long as the Municipal Bond Insurance Policy shall be in full force and effect and there is no default thereunder, (a) in circumstances in which the Owners of a percentage of the aggregate principal amount of the Outstanding Bonds have the right to take action under or in connection with the Bond Indenture (other than certain provisions relating to removal of the Trustee or appointing a successor Trustee) or the Financing Agreement, Ambac Assurance shall be deemed to be the Owner of all Bonds Outstanding at all times for the purpose of taking any such action and (b) Ambac Assurance shall be deemed to be the Owner of all Bonds Outstanding for all purposes upon the occurrence of an Event of Default under the Bond Indenture.

Consent of Ambac Assurance to Amendments to Indenture and Financing Agreement. If the Municipal Bond Insurance Policy is in effect and Ambac Assurance is not in breach of any of the provisions thereof, any provision of the Bond Indenture or the Financing Agreement expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner which affects the rights of Ambac Assurance thereunder without the prior written consent of Ambac Assurance.

Ambac Assurance to be Subrogated to Rights of Owners. In the event that the principal or interest due on the Bonds are paid by Ambac Assurance pursuant to the Municipal Bond Insurance Policy, the Bonds will remain Outstanding for all purposes of the Bond Indenture, not be defeased or otherwise satisfied and not be considered paid by the County, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the County to the Owners will continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance will be subrogated to the rights of such Owners.

Trustee Notification to Ambac Assurance of Failure to Deliver Notices by County or Big Rivers. The Trustee will notify Ambac Assurance of any failure of the County or Big Rivers to provide any notices, certificates or other documents required to be provided to the Trustee pursuant to the terms of the Bond Indenture or the Financing Agreement.

Trustee to Notify Ambac Assurance of Events of Default. The Trustee will immediately notify Ambac Assurance upon the occurrence of any Event of Default under the Bond Indenture of which it has knowledge.

Payment Procedure Pursuant to the Municipal Bond Insurance Policy. If the Municipal Bond Insurance Policy is in full force and effect, the County, the Trustee and Co-Paying Agent agree to comply with the following provisions:

(a) On the Interest Payment Dates the Trustee or Co-Paying Agent, if any, will determine whether there will be sufficient funds in the Bond Fund to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Co-Paying Agent, if any, determines that there will be insufficient funds in such Bond Fund, the Trustee or Co-Paying Agent, if any, shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If there is such a deficiency but the Trustee or Co-Paying Agent, if any, has not so notified Ambac Assurance on an Interest Payment Date (but does do so on a later date), Ambac Assurance will make payments of principal or interest due on the Bonds on or before the first day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee or Co-Paying Agent, if any.

(b) The Trustee or Co-Paying Agent, if any, shall, after giving notice to Ambac Assurance as provided in (a) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to The Bank of New York in New York, New York, as insurance trustee for Ambac Assurance or any successor insurance trustee (the "Insurance Trustee"), the registration books of the County maintained by the Registrar and all records relating to the Bond Fund maintained under the Bond Indenture.

(c) The Trustee or Co-Paying Agent, if any, shall provide Ambac Assurance and the Insurance Trustee with a list of registered Owners entitled to receive principal or interest payments from Ambac Assurance under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered Owners entitled to receive full or partial interest payments from Ambac Assurance and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered Owners entitled to receive full or partial principal payments from Ambac Assurance.

(d) The Trustee or Co-Paying Agent, if any, shall, at the time it provides notice to Ambac Assurance pursuant to (a) above, notify registered Owners entitled to receive the payment of principal or interest thereon from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of Ambac Assurance) for payment to the Insurance Trustee, and not the Trustee or Co-Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Bonds for payment thereon first to the Trustee or Co-Paying Agent, if any, who shall note on such Bonds the portion of the principal paid by the Trustee or Co-Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee or Co-Paying Agent, if any, has notice that any payment of principal of or interest on a bond which has become due for payment and which is made to a Owner by or on behalf of the County has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having jurisdiction , the Trustee or Co-Paying Agent, if any, shall, at the time Ambac Assurance is notified pursuant to (a) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Co-Paying Agent, if any, and subsequently recovered from Owners and the dates on which such payments were made.

(f) In addition to those rights granted Ambac Assurance under the Bond Indenture, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Co-Paying Agent, if any, shall note Ambac Assurance's rights as subrogee on the registration books of the County maintained by the Registrar upon receipt from Ambac Assurance of proof of the payment of interest thereon to the registered Owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Co-Paying Agent, if any, shall note Ambac Assurance's rights as subrogee on the registration books of the County maintained by the Registrar upon surrender of the Bonds by the registered Owners thereof with proof of the payment of principal thereof.

Ambac Assurance as Third Party Beneficiary. To the extent that the Bond Indenture confers upon or gives or grants to Ambac Assurance any right, remedy or claim under or by reason of the Bond Indenture, Ambac Assurance is explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right remedy or claim conferred, given or granted thereunder. Any rights, remedies or claims of Ambac Assurance under or by reason of the Bond Indenture shall only be applicable so long as the Municipal Bond Insurance Policy shall be in full force and effect and Ambac Assurance shall not be in default thereunder

SUMMARY OF LG&E TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the Participation Agreement, the Lease, the Power Purchase Agreement, the LEC Guarantee, the Subordinated Mortgage, the LEM Mortgage, the Transmission Services and Interconnection Agreement and the Station Two Agreement (each as defined herein). These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to such documents. Capitalized terms used herein but not defined have the meanings assigned to such terms in the Participation Agreement, the Lease, the Power Purchase Agreement, the LEC Guarantee, the Subordinated Mortgage and the LEM Mortgage, as applicable.

Participation Agreement

The Participation Agreement, dated April 6, 1998, as amended (the "Participation Agreement"), sets forth the agreement of Big Rivers Electric Corporation ("Big Rivers") to enter into certain transactions with certain affiliates of LG&E Energy Corp. ("LEC") under certain conditions (the "LG&E Transaction"). These affiliates include, among others, (i) LG&E Energy Marketing, Inc., the power marketing affiliate of LEC ("LEM"), (ii) WKE Station Two Inc. ("Station Two Subsidiary"), and (iii) Western Kentucky Energy Corp. ("WKEC" and, collectively with LEC, LEM and the Station Two Subsidiary, the "LG&E Entities"). Among other things, the Participation Agreement includes representations and warranties by each of the parties with respect to various matters, sets forth the conditions which had to be satisfied in order for the consummation of the LG&E Transaction to occur, and includes various covenants by Big Rivers with respect to its operation of its generating plants and facilities (the "Facilities") and the Station Two Facility prior to closing of the LG&E Transaction (the "Effective Date"). The Participation Agreement also includes provisions dealing with various transfers and assignments that occurred on the Effective Date and other provisions governing the relationship of the parties during the approximately twenty-five year term of the LG&E Transaction (the "LG&E Transaction Term").

Transfers and Assignments. On the Effective Date, Big Rivers sold all of its fuel and scrubber reagent inventory, spare parts, and other materials and supplies held exclusively for use in connection with its operation of Big Rivers' facilities (the "Facilities") and all SO2 allowances relating to the Facilities (the "SO2 Allowances") with vintage years prior to the calendar year of the Effective Date (but excluding any Excluded Assets) (the "Inventory") to WKEC, for fair market value ($30.2 million) and sold all of its tangible personal property (other than Inventory) used or held exclusively for use in the operation of the Facilities (other than personal property affixed to real property and any Excluded Assets) (the "Personal Property") to WKEC for approximately $5.7 million. At the end of the LG&E Transaction Term, WKEC has agreed to sell all fuel and scrubber reagent inventory, spare parts, and materials and supplies held exclusively for use by any of LEC, LEM or WKEC in connection with the operation of the Facilities to Big Rivers for fair market value and has agreed to sell all tangible personal property then in any LG&E Entity's possession and used or held exclusively for use in connection with the operation of the Facilities to Big Rivers for net book value. Big Rivers will receive a credit against the purchase price for any such inventory, parts, materials, supplies, and tangible personal property that it has paid for as Incremental Environmental O&M (defined below).

Also on the Effective Date, Big Rivers assigned all of its intangible assets, including its rights under real property leases, equipment leases, permits, intellectual property, and contracts, used or held exclusively for use in connection with the operation of the Facilities (the "Intangible Assets") to WKEC). WKEC assumed and agreed to perform and discharge all of Big Rivers' obligations under the Intangible Assets which first arose or accrued on or after the Effective Date. WKEC will be required to maintain and replace the Intangible Assets as necessary in order to operate the assets in a manner consistent with prudent utility practice, and to inform the Operating Committee (described below) of any material change in the status of any Intangible Assets, of any pending applications for new permits, and of the receipt of new material Intangible Assets. At the end of the LG&E Transaction Term, WKEC has agreed to assign or transfer to Big Rivers all remaining Intangible Assets and any additions, modifications or replacements of the Intangible Assets that have been previously approved by Big Rivers.

WKEC will be entitled to the full, exclusive use, enjoyment and benefit (free of all liens arising prior to such use, enjoyment or benefit) including the right to sell, exchange or otherwise dispose of, for WKEC's account, all of the SO2 Allowances for any calendar year falling within the LG&E Transaction Term. At the end of the LG&E Transaction Term, WKEC has agreed to return to Big Rivers all SO2 Allowances allocated to the Facilities for all years beginning on or after the termination date and a pro rata portion of the SO2 Allowances allocated to the Facilities for the remainder of the year during which the termination date occurs.

Transmission Use Payment Compensation Adjustment. Under the Participation Agreement, if during any year the annual total charge for transmission services provided by Big Rivers to LEM and its affiliates in excess of their obligations to the two aluminum smelters is less than $5 million, LEM will credit Big Rivers' account under the Power Purchase Agreement, dated the Effective Date, between Big Rivers and LEM (the "Power Purchase Agreement," described below) the difference between $5 million and the total charge for transmission services during such year. If during any year the annual total charge for transmission services rendered by Big Rivers to LEM and its affiliates exceeds $5 million and the average rate per megawatt hour for non-firm transmission service during that year exceeded $0.50 per megawatt hour ("MWh") (escalated annually from January 1, 1997), Big Rivers will credit to LEM's account under the Transmission Services and Interconnection Agreement, dated the Effective Date, between Big Rivers and LEM, the Station Two Subsidiary, and WKEC an amount equal to the number of MWh of non-firm transmission service provided during the year to LEM multiplied by the amount by which the average rate for such service exceeded $0.50 per MWh (as escalated), up to a maximum credit of the difference between the total transmission charge for that year and $5 million.

Taxes. During the LG&E Transaction Term, Big Rivers has agreed to be responsible for paying all property taxes assessed on the Assets. WKEC has agreed to reimburse Big Rivers for a portion of such property taxes. The portion of property taxes to be reimbursed by WKEC will change during the LG&E Transaction Term. WKEC has agreed to reimburse Big Rivers for 30% of property taxes from the Effective Date through December 31, 2010, 43.64% in 2011, and 52.54% from January 1, 2012 through the end of the LG&E Transaction Term. In addition, if Big Rivers elects to reduce the Contract Limits, the portion of property taxes to be reimbursed by WKEC will be increased.

During the LG&E Transaction Term, an LG&E Entity has agreed to pay all unidentified asset-related taxes imposed on Big Rivers in connection with the lease, operation, or maintenance of the Facilities and certain property used in connection with the Facilities (the "Assets"), other than sales and use taxes, property taxes, income or franchise taxes, and utility gross receipts license taxes. All taxes imposed on a party, other than those described above, will be borne by the party primarily liable for such tax under applicable laws. If a tax on plant emissions should be enacted, LEM, pursuant to the Power Purchase Agreement may increase its cost to Big Rivers to reflect the increased cost associated with the power sold to Big Rivers.

Insurance Coverage. Throughout the LG&E Transaction Term, the Participation Agreement requires WKEC to obtain and maintain insurance coverage for the Assets. At a minimum, WKEC must maintain insurance coverage of the types and in the amounts specified in the Participation Agreement or required by Big Rivers' lenders (whichever is greater). WKEC must notify the other parties immediately of the assertion of any claim in excess of $1,000,000, and must report annually to the Operating Committee all claims asserted in the amount of $100,000 or more.

Environmental Liabilities and Indemnities. Prior to the Effective Date, the parties jointly conducted an environmental audit of Big Rivers' Facilities and Real Property (the "Baseline Environmental Audit"). The parties have agreed to conduct a similar environmental audit at the end of the LG&E Transaction Term (the "End of Term Environmental Audit"). Except with respect to the presence, release or threat of release of hazardous substances on or from any off-site disposal facility, Big Rivers agreed to be responsible for the release or presence of hazardous substances or other wastes which are identified in the Baseline Environmental Audit or disclosed on the schedules to the Participation Agreement or stipulated by the parties in writing or which are not identified in the End of Term Environmental Audit, and WKEC has agreed to be responsible for the release or presence of hazardous substances or other wastes not identified in the Baseline Environmental Audit or disclosed on the schedules to the Participation Agreement or stipulated by the parties in writing and which are first identified in the End of Term Environmental Audit.

To the extent that either party contributes to or exacerbates a condition subject to indemnification by the other party, the Participation Agreement requires that party to share equitably in any resulting liability. Neither party will be required to indemnify the other for any costs and expenses which constitute Incremental Environmental O&M (described below) or costs and expenses for capital assets necessary to comply with any requirement of environmental law or any environmental regulatory authority. Such items are subject to cost sharing pursuant to the Lease. Each party is required to use its reasonable efforts to minimize costs, expenses and liabilities for which the other party has an indemnification obligation.

The allocations of responsibility and indemnification obligations described above will not apply to any release or threat of release of hazardous substances in or beneath the Green River or the Ohio River. Big Rivers and WKEC each will reserve all rights that they may have against the other or against any third party with respect to releases of hazardous substances in or beneath the Green River or the Ohio River.

The Participation Agreement also provides an opacity indemnity. In general, with certain exceptions, Big Rivers will be required to indemnify and hold harmless WKEC, the other LG&E Entities, and their respective affiliates from and against any costs or expenses incurred in connection with (i) any failure of any of the Facilities to comply with applicable opacity limitations prior to the Effective Date, (ii) any failure of the Robert D. Green Plant (the "Green Plant") and the D.B. Wilson Plant (the "Wilson Plant") to comply with applicable opacity limitations at any time from the Effective Date through the date on which Big Rivers receives its final Title V Air Quality Permits (as defined in the Participation Agreement) for those facilities from the Kentucky Natural Resources and Environmental Protection Cabinet ("KNREPC"), (iii) any failure of the Title V Permits (as defined in the Participation Agreement) for the Green Plant and the Wilson Plant to comply with applicable environmental laws at the time of their issuance, (iv) any failure by Big Rivers to have obtained the Title V Permits for the Green Plant and the Wilson Plant in compliance with applicable environmental laws at the time of their issuance, (v) any challenge to the Title V Permits for the Green Plant and the Wilson Plant based on Big Rivers' compliance certifications in the applications for those permits, (vi) any operation by any of the LG&E Entities of the Green Plant and the Wilson Plant in reliance upon and in compliance with the Title V Permits for those facilities where it is determined that any of the circumstances described in (iii) or (iv) above existed, and (vii) any failure of the Title V Permits for the Green Plant and Wilson Plant to shield or protect the LG&E Entities or their affiliates from Opacity Damages (as defined in the Participation Agreement) that may arise following the issuance of the Title V Permits resulting from the operation of such facilities in compliance with the permits and in a manner that is materially consistent with Big Rivers' operation of those facilities prior to the Effective Date, and such failure to shield or protect is based on the circumstances described in (iii) or (iv) above. WKEC has agreed to be responsible for, and to indemnify and hold harmless Big Rivers from, any costs or expenses incurred in connection with any failure of the Facilities to comply with applicable opacity limitations after the Effective Date (other than costs and expenses for which Big Rivers is responsible, as described generally above). Neither party will be required to indemnify the other for incremental or special damages including lost profits or for any costs and expenses which constitute Incremental Environmental O&M or costs and expenses for Capital Assets that are subject to cost sharing pursuant to the Lease. The final Title V Permit for the Green Station was received by WKE on February 24, 2000 and the final Title V Permit for the Wilson Station was received by WKE on March 9, 2000.

Events of Default; Remedies. Events of default under the Participation Agreement include: (i) the failure by either party to pay when due any amounts payable to the other party in accordance with the terms of the Participation Agreement; (ii) any attempt to transfer an interest in the Participation Agreement except as permitted therein; (iii) the failure to perform any material obligation in the Participation Agreement; (iv) certain events of bankruptcy or insolvency; (v) any breach of a representation or warranty made by a party in the Participation Agreement that would have a material adverse effect on the other party or its rights under the Participation Agreement and the other agreements relating to the LG&E Transaction; (vi) the failure, inability, or refusal of a party or its affiliates to cure a default or breach by such party or its affiliates under certain other agreements between Big Rivers and the LG&E Entities which give rise to a termination of such agreement, or any termination by a party of such other agreements in breach or default thereof; and (vii) the failure by Big Rivers to pay when due all amounts owed to LEM pursuant to the Big Rivers promissory note to LEM given on the Effective Date and evidencing Big Rivers' obligation to pay to LEM approximately $20 million, with interest, over a 25-year period (regardless of whether or not the LG&E Transaction is terminated before the end of 25 years) (the "Settlement Note").

If an event of default has occurred for which there is no cure period, or if an event of default has not been cured within the time period required, the non-defaulting party will have, in addition to any rights it may have under law, (i) the right to pay the amount due or perform any required obligation and set-off such amount against any other payment due to the defaulting party or any of its affiliates under any agreement relating to the LG&E Transaction, and (ii) the right to terminate the Participation Agreement upon 30 days' notice to the defaulting party. Big Rivers also may terminate the Participation Agreement at any time the LEC Guarantee (defined below) permits.

Waiver; LG&E Indemnities. WKEC has agreed to waive all claims against Big Rivers, its affiliates, successors and assigns and their respective officers, employees, consultants, or agents (the "Protected Parties") for any liability, loss, damage, claim, or cost suffered by WKEC or any of its affiliates, successors, or assigns or their respective officers, employees, consultants, or agents in connection with the use or operation of the Assets by WKEC or any of its affiliates, successors, or assigns or their respective officers, employees, consultants, or agents, other than (i) losses caused by the willful or grossly negligent act or omission by Big Rivers or any of the Protected Parties or by the breach of the Participation Agreement or any other agreement relating to the LG&E Transaction by Big Rivers or any of the Protected Parties, and (ii) losses, injuries and damages specifically assumed by Big Rivers or covered by any indemnification or hold harmless covenant of Big Rivers in the Participation Agreement or any other agreement relating to the LG&E Transaction.

WKEC will indemnify and reimburse Big Rivers and the Protected Parties for any and all claims, losses, liabilities, damages, costs and expenses suffered or incurred by Big Rivers or any of the Protected Parties as a result of, or with respect to, WKEC's, or any of its affiliates', successors' or assigns' or their respective officers', employees', consultants' or agents', operation or use of the Assets, except to the extent such damages arise as a result of (i) the gross negligence or willful misconduct of, or breach of any agreement relating to the LG&E Transaction by, Big Rivers or any of the Protected Parties, or (ii) any action, event or circumstance for which Big Rivers has an indemnification and hold harmless obligation pursuant to the Participation Agreement or any other agreement relating to the LG&E Transaction, or for which Big Rivers expressly has assumed responsibility in any agreement relating to the LG&E Transaction.

Capital Budget Limits. The Participation Agreement establishes the maximum amount of the capital budget for each year of the term (exclusive of Incremental Capital Costs and Non-Incremental Capital Costs which (i) are necessary to repair any turbine, scrubber or boiler at any of the Facilities or the Station Two Facility, (ii) are not covered by insurance or any warranty, (iii) are not the result of negligence or willful misconduct of any of the LG&E Entities or any breach or default by any of the LG&E Entities under any of the operative documents relating to the LG&E Transaction, and (iv) exceed a threshold amount agreed upon by the parties (collectively, "Major Capital Repairs")) (the "Capital Budget Limits") and the maximum amount Big Rivers will be required to contribute during each year of the LG&E Transaction Term for Non-Incremental Capital Costs that do not constitute Major Capital Repairs (the "Big Rivers Contribution"). The Capital Budget Limits and the Big Rivers Contributions are subject to increase or decrease only in the event of inflation (determined by reference to an established index) that is significantly higher or lower than that presently anticipated.

If the Non-Incremental Capital Costs (other than for Major Capital Repairs) included in any approved annual capital budget are equal to or less than the Big Rivers' Contribution for that year, Big Rivers has agreed to pay the entire amount of such Non-Incremental Capital Costs. If the Non-Incremental Capital Costs (other than for Major Capital Repairs) included in any approved annual capital budget are more than the Big Rivers' Contribution for that year, Big Rivers has agreed to pay only the Big Rivers Contribution and WKEC or Station Two Subsidiary or both have agreed to contribute the remainder of such Non-Incremental Capital Costs (including any amounts in excess of the Capital Budget Limits).

Non-Incremental Capital Costs for Major Capital Repairs and Incremental Capital Costs will be shared between Big Rivers and the LG&E Entities as set forth in the Lease.

LEM Advances. During the first two years following the Effective Date, LEM made monthly advances to Big Rivers totaling $50 million. During the next three years, Big Rivers has agreed to repay, solely by an offset mechanism, a total of $60 million, by paying $15 million during the third year of the LG&E Transaction Term, $20 million during the fourth year, and $25 million during the fifth year.

Residual Value Payment. Upon the termination of the LG&E Transaction or upon any sale, assignment or other transfer of the Assets by Big Rivers during the LG&E Transaction Term, the Participation Agreement requires Big Rivers to pay to the LG&E Entities a "Residual Value Payment" generally based on the remaining value of all capital assets which were funded by LG&E Entity. The details of the Residual Value Payment are contained in a letter agreement between Big Rivers and the LG&E Entities dated April 18, 2000. The Residual Value Payment is expected to be approximately $136 million in 2003.

Right of First Refusal. During the LG&E Transaction Term and for a period of one year thereafter, WKEC (with respect to all assets other than the assets relating to the Station Two Facility) and Station Two Subsidiary (with respect to assets and contracts owned by Big Rivers or to which Big Rivers has or acquires an interest relating to the Station Two Facility or certain agreements between Big Rivers and HMP&L (the "Station Two Contracts")) will have a right of first refusal to purchase any of the Subject Assets (as defined in the New Participation Agreement) that Big Rivers desires to sell or otherwise transfer other than in the ordinary course of business consistent with past practices.

Lease

Big Rivers and WKEC have entered into a lease and operating agreement (the "Lease"). The Lease establishes the respective obligations of WKEC and Big Rivers with respect to the ownership, lease and operation of the Tangible Assets and the power generated therefrom. The Lease grants WKEC the exclusive use and enjoyment of the Tangible Assets throughout the LG&E Transaction Term (unless sooner terminated as provided in the Lease), including the right to market and dispatch energy generated by the Facilities in its sole discretion and for its own account. Upon the expiration or earlier termination of the Lease, WKEC will return the Tangible Assets to Big Rivers together with all improvements and additions thereto.

Rental Payments. The Lease required WKEC to make an initial rental payment on the Effective Date and requires an annual rent payment in equal monthly installments of $2,625,000, subject to the adjustments set forth below, commencing on the second anniversary of the Effective Date until the termination of the Lease.

In addition to the rental payments, the Lease requires WKEC to pay to Big Rivers payments intended to compensate Big Rivers for a portion of the loss of profits it anticipated receiving from the sale of power to certain Members for resale to the two aluminum smelters (the "Monthly Margin Payments") each month from the Effective Date until January 2012.

Adjustments. The Lease provides for three separate adjustments to the monthly rental payments due under the Lease. First, the monthly rental payments have been reduced by 0.78% of the purchase price paid by WKEC on the Effective Date for the Personal Property. This adjustment was necessary because the annual rental payment of $31.5 million initially was established using the assumption that the Personal Property would be included within the property leased by Big Rivers, instead of being sold by Big Rivers on the Effective Date. This reduction adjusted the monthly rental payment to subtract the portion of the rental payments which WKEC would have paid if Big Rivers leased the Personal Property to WKEC rather than sold it to WKEC on the Effective Date.

Second, the Lease provides for the adjustment of the monthly installments of annual rent payable under the Lease if Big Rivers reduces the Contract Limits pursuant the Power Purchase Agreement. The annual rental payment of WKEC beginning on the effective date of such a reduction in Contract Limits will be increased by the aggregate percentage change in the Contract Limits multiplied by $31.5 million, less the Personal Property adjustment described above.

Third, monthly installments of annual rent will be subject to adjustment based on the agreement of Big Rivers and WKEC to share the risk of future changes in environmental regulations resulting in "Incremental Environmental O&M." Incremental Environmental O&M is defined to be the incremental increase in the operation and maintenance expense, net of any related savings, (i) caused solely by a new or change to an existing environmental law after the Effective Date to the extent such increase reasonably is necessary to allow the Assets to be operated in an economically viable manner consistent with prudent utility practice at a capacity of 1459 net MW (including any expenses relating to the Proposed SIP Call) or (ii) related to any requirement that Big Rivers (or WKEC, as operator of the Facilities) meet applicable opacity limitations for the Green Plant and the Wilson Plant as

required by applicable environmental laws, without regard to its compliance with mass particulate matter emission limitations. The Lease provides that the monthly rental payment to Big Rivers be reduced by a portion of the Incremental Environmental O&M estimated by WKEC to be incurred in such month. Annually, WKEC will calculate the actual Incremental Environmental O&M and will refund to Big Rivers the amount by which Big Rivers' payments for Incremental Environmental O&M (through reductions in the monthly installments of annual rent) exceed WKEC's portion of the actual Incremental Environmental O&M for such year. Conversely, Big Rivers promptly will pay to WKEC the amount by which its portion of the actual Incremental Environmental O&M exceeds Big Rivers' payments (through reductions in the monthly installments of annual rent) with respect thereto.

Operation and Maintenance. During the term of the Lease, WKEC will be required to maintain, operate, service and repair the Assets and any additions and improvements at its sole expense in accordance with prudent utility practice and in substantial compliance with applicable laws and standards imposed by insurance policies with respect to the Assets. WKEC will be responsible for overseeing the design, construction and placement into service of each capital asset authorized in an annual capital budget.

Big Rivers will agree to cooperate with WKEC in obtaining permits required in connection with the Facilities and providing WKEC information required for any report or filing with any governmental agency. In turn, WKEC will provide Big Rivers access to the Assets and the right to inspect the books and records of WKEC relating to the Assets.

During the Lease, an Operating Committee composed of representatives of WKEC and Big Rivers will be responsible for reviewing and approving the annual capital budgets and the annual O&M budgets relating to the Assets and prepared by WKEC. The Lease requires WKEC to use reasonable efforts to operate within 90 to 110 percent of the total approved annual capital budget and spend at least 90% of the total approved O&M budget each year.

Payment of Capital Assets. The Lease allocates payment responsibilities with respect to capital assets between Big Rivers and WKEC. The Lease requires WKEC to obtain the approval of Big Rivers and RUS prior to undertaking any Major Capital Improvements. The Lease requires WKEC to pay for all Enhancements or Major Capital Improvements (including any increased Incremental Environmental O&M which results from such Enhancement or Major Capital Improvement) even though they become part of the Facilities owned by Big Rivers and delivered to Big Rivers at the end of the term of the Lease. Should any LG&E Entity decide to install and utilize any capital asset relating to a Non-Incremental Capital Cost that is expected to increase auxiliary power usage, the LG&E Entity must give Big Rivers a choice of whether or not to participate in Funding its share of that capital cost.

The portion of each capital expenditure to be paid by each party changes during the term of the transaction and varies depending on whether the capital expenditure is made to comply with a new law or any revision or change to any existing law (including the Proposed SIP Call) or with any change in applicable judicial or administrative interpretation of a law (an "Incremental Capital Cost"). From the Effective Date through December 31, 2010, Big Rivers will pay 20% of any Incremental Capital Cost and 49% of any Non-Incremental Capital Cost for a Major Capital Repair. During the year 2011, Big Rivers will pay 40.26% of both Incremental Capital Costs and Non-Incremental Capital Costs for Major Capital Repairs, and from January 1, 2012 through the end of the term Big Rivers will pay 33.9% of both Incremental Capital Costs and Non-Incremental Capital Costs for Major Capital Repairs. WKEC will be responsible for the remaining portion of all Incremental Capital Costs and Non-Incremental Capital Costs for Major Capital Repairs. Each year, Big Rivers will pay the Big Rivers Contribution for Non-Incremental Capital Costs which are not for Major Capital Repairs, and WKEC will pay any remaining Non-Incremental Capital Costs that are not for Major Capital Repairs. Big Rivers' contribution for Non-Incremental Capital Costs is generally fixed and paid 1/12 each month.

WKEC is obligated to submit to Big Rivers forecasts of cash requirements for each capital asset in the annual capital budget.

Events of Loss. The Lease will terminate if all or substantially all of the Assets are condemned. WKEC will have no further liability under the Lease following such termination other than liabilities accrued prior to the date thereof. The Lease provides that WKEC is to share in any condemnation proceeds.

The Lease does not terminate if less than substantially all of the Assets are condemned. In such case, however, the rent payable by WKEC will be reduced proportionately based on the ratio of the fair market value of the portion of the Assets taken to the fair market value of the Facilities and the Station Two Facility at the time of the taking (exclusive of HMP&L's interest in and rights to the value of Station Two not allocated to Big Rivers or Station Two Subsidiary pursuant to the Station Two Contracts at the time of the taking) determined on the basis that said taking had not occurred.

If the Assets are damaged or destroyed and such damage or destruction was caused by a casualty covered by an insurance policy, WKEC will, to the extent insurance proceeds are made available to WKEC, use such proceeds to restore the Assets, consistent with prudent utility practice, as soon as reasonably possible to substantially the same general condition as before the damage. WKEC will be entitled to the insurance proceeds associated with any Enhancement or Major Capital Improvement paid for by WKEC, and will not be obligated to restore such Enhancements or Major Capital Improvements. WKEC will be obligated to remove from the Facilities the remains thereof if it determines not to perform such restoration. To the extent not covered by insurance proceeds, the capital cost of any restoration of Assets will be considered payments for capital assets pursuant to an approved modification of the annual capital budget and will be paid for by Big Rivers and WKEC as if the capital cost were payments for such capital assets unless such damage or destruction resulted from the gross negligence or willful misconduct of WKEC or Big Rivers (in which case the responsible party must bear such costs alone). The rental payments under the Lease will not be abated if the Assets are destroyed or damaged unless such destruction or damage results from the gross negligence or willful misconduct of Big Rivers and the capacity available to LEM from the Facilities and the Station Two Facility (exclusive of the capacity reserved by HMP&L from the Station Two Facility from time to time) is thereby reduced, and then only in proportion with the reduction in such electric capacity below 1771 MW (exclusive of the capacity reserved by HMP&L from the Station Two Facility from time to time).

If insurance proceeds remain after the repair or replacement of a Capital Asset, or if insurance proceeds are not used to repair or replace a Capital Asset, such insurance proceeds will be divided between Big Rivers and WKEC based on the capital asset sharing ratio that applied at the time of the original purchase, construction or installation of the damaged or destroyed capital asset.

Events of Default; Remedies. Events of default under the Lease include (i) the failure by either party to pay when due any sums payable to the other party in accordance with the terms of the Lease; (ii) any attempt to transfer an interest in the Lease or the Assets except as provided in the Participation Agreement; (iii) the failure to perform any material obligation in the Lease; (iv) certain events of bankruptcy or insolvency; and (v) the failure, inability or refusal of a party or its affiliates to cure a default or breach by such party or its affiliates under certain other agreements between Big Rivers and the LG&E Entities which give rise to a termination of such agreement or any termination by a party of any of such agreements in breach or in default thereof.

If an event of default has occurred for which there is no cure period or if an event of default has not been cured within the time period required, the non-defaulting party has, in addition to any rights it may have under law, (i) the right to pay the amount due or perform any required obligation and set-off such amount against any other payment due the defaulting party or any of its affiliates under any agreement relating to the LG&E Transaction, and (ii) the right to terminate the Lease upon 30 days' notice to the defaulting party. In addition, the Lease permits Big Rivers to terminate the Lease at any time the LEC Guarantee permits.

Power Purchase Agreement

The Power Purchase Agreement between Big Rivers and LEM governs the sale of power by LEM to Big Rivers during the LG&E Transaction Term.

Events of Default; Remedies. Events of default under the Power Purchase Agreement include: (i) the failure by either party to pay when due any amounts payable to the other party in accordance with the terms of the Power Purchase Agreement; (ii) any attempt to transfer an interest in the Power Purchase Agreement in breach of the assignment provisions set forth in the Participation Agreement; (iii) the failure to perform any material obligation in the Power Purchase Agreement; (iv) certain events of bankruptcy or insolvency; (v) the failure, inability, or refusal of a party or its affiliates to cure a default or breach by such party or its affiliates under certain other agreements between Big Rivers and the LG&E Entities which give rise to a termination of such agreement, or

any termination by a party of such other agreements in breach or default thereof; and (vi) the failure by LEM to deliver to Big Rivers all amounts of Power which Big Rivers is entitled to receive from LEM pursuant to the Power Purchase Agreement for more than 30 days in any 365 day period.

If an event of default has occurred for which there is no cure period, or if an event of default has not been cured within the time period required, the non-defaulting party has, in addition to any rights it may have under law, (i) the right to pay the amount due or perform any required obligation and set-off such amount against any other payment due to the defaulting party or any of its affiliates under any agreement relating to the LG&E Transaction, and (ii) the right to terminate the Power Purchase Agreement upon 30 days' notice to the defaulting party. In addition, if an event of default is of such a nature that it cannot be remedied or cured by repair to or replacement of or construction of tangible assets or properties and such event of default is not cured within 180 days or such event of default occurs more than twice in any 365-day period, the non-defaulting party will have the right to terminate the Power Purchase Agreement upon two business days' notice. Big Rivers also may terminate the Power Purchase Agreement at any time the LEC Guarantee permits.

Big Rivers' Purchase of Power from LEM. Each hour during the LG&E Transaction Term, Big Rivers has agreed to purchase Base Power from LEM in an amount no less than the lesser of a minimum hourly power purchase amount or the amount Big Rivers actually sells to the Members to meet the load requirements of the Members' retail customers other than the two aluminum smelters (or make a minimum payment in lieu of such purchases), and no more than the maximum hourly power purchase amount. Each year during the LG&E Transaction Term, Big Rivers has agreed to purchase Base Power from LEM in an amount no less than a minimum annual power purchase amount (or make a minimum payment in lieu of such purchases) and no more than the maximum annual power purchase amount.

During the LG&E Transaction Term, Big Rivers is entitled to receive certain generation-based ancillary services from LEM. Certain of these services will be provided to Big Rivers at no additional cost (other than costs already imbedded in the Base Power rate); others will be provided at a cost based on LEM's rates for such services. LEM is required to provide generation-based ancillary services only to the extent such services can be provided from the Facilities and the Station Two Facility, consistent with prudent utility practice and any applicable limitations on the use of power generated from the Station Two Facility.

Provisions Regarding Member Power. During the LG&E Transaction Term, Big Rivers has agreed to supply all of the Members' requirements for power to serve their customers other than the two aluminum smelters. During the LG&E Transaction Term, Big Rivers is prohibited from amending its contracts with the Members to permit any Member to acquire power to serve its customers (other than the two aluminum smelters) from any person other than Big Rivers, except that the Wholesale Power Contracts may be amended to provide that Henderson Union and Green River (now, Kenergy) may resell power in accordance with the agreements between LEM and Green River and Henderson Union (now, Kenergy) and in accordance with the Electric Service Agreements between Green River and Henderson Union and the two aluminum smelters, respectively.

If Big Rivers defaults under any Wholesale Power Contract and such default could be cause for termination of that Wholesale Power Contract, LEM has the right to attempt to cure that default. If a Member terminates a Wholesale Power Contract because of a default by Big Rivers, then from that time on the minimum amount of Base Power which Big Rivers is required to purchase from LEM each hour will be the minimum hourly power purchase amount established in the Power Purchase Agreement (regardless of the Members' actual loads during that hour).

Throughout the LG&E Transaction Term, Big Rivers is permitted to enter into contracts for the sale or resale of power purchased from LEM to any non-Member or for the purchase or sale of power from or to parties other than LEM.

Contract Limits. The Contract Limits established in the Power Purchase Agreement include the minimum hourly power purchase amount, the minimum annual power purchase amount, the maximum hourly power purchase amount and the maximum annual power purchase amount. The Contract Limits are established for four separate periods during the LG&E Transaction Term: the Effective Date until December 31, 2000; January 1, 2001 until December 31, 2010; January 1, 2011 until December 31, 2011; and January 1, 2012 through the end of the LG&E Transaction Term. At any time after December 31, 1998, Big Rivers has the right to elect to reduce the Contract

Limits at any time and from time to time during the LG&E Transaction Term. Any such reduction must be made as a uniform decrease to all four Contract Limits, will not become effective until the expiration of two full calendar years after notice of the reduction is given, and must remain in effect for the rest of the LG&E Transaction Term. Big Rivers cannot reduce the Contract Limits by more than 12 MW in any year, or by more than a total of 72 MW during the LG&E Transaction Term. In addition, Big Rivers cannot reduce the minimum annual power purchase amount to an amount that is less than 102% of its actual requirements for Base Power in the year immediately prior to the effective date of the reduction.

Exclusivity. Except with respect to power to be sold by LEM to Henderson Union and Green River (now, Kenergy) to meet the power requirements of the two aluminum smelters, Big Rivers will be the exclusive distributor of wholesale power furnished to end-users located, or for use, within the boundaries of the Members' franchised service territories.

Pricing and Billing. The fixed rates for Base Power are established in the Power Purchase Agreement. The rates for Base Power may be adjusted only in 2004, 2011 and 2018, pursuant to a formula set forth in the Power Purchase Agreement, based on changes in the value of a coal and labor index.

Each month, Big Rivers will pay to LEM the then-applicable Base Power rate for all Base Power it purchased during the preceding month. In addition, Big Rivers is required to pay LEM for certain generation-based ancillary services provided during the preceding month and for re-dispatch costs incurred during the preceding month. The amount Big Rivers will pay LEM for power each month will be reduced by the cost of any ECAR automatic reserves or generation-based emergency services necessary to support operation of Big Rivers' transmission system that Big Rivers purchased from any third party during that month.

If Big Rivers fails to take the minimum requirement of Base Power during any hour, it will pay a certain percentage of the difference between the amount of Base Power actually taken and the applicable minimum requirement. If the cumulative amount of hourly penalties paid by Big Rivers during any year equals a certain percentage of the product of the applicable minimum annual power purchase amount and the applicable Base Power rate, no further penalties will be assessed that year for failing to take the minimum requirement during any hour. If Big Rivers does not take the minimum annual power purchase amount during any year, it will pay an amount equal to a percentage of the difference between the amount of Base Power actually taken and the applicable minimum annual power purchase amount.

Credits. Big Rivers is entitled to certain credits against amounts that it owes to LEM pursuant to the Power Purchase Agreement. First, each month for the first fifty-five months of the LG&E Transaction Term, LEM will credit Big Rivers' account $89,000. Second, at the end of the year 2011, LEM will credit Big Rivers' account $2,610,557, and at the end of each year following December 31, 2011, LEM will credit Big Rivers' account $4,110,750. Finally, on February 1st of each year, LEM will credit Big Rivers' account the amount of any transmission use credit it owes to Big Rivers for the preceding year pursuant to the Participation Agreement.

Uncontrollable Forces. Neither party will be in default under the Power Purchase Agreement if its failure of performance is due to an uncontrollable force which by exercise of due foresight it could not reasonably have been expected to avoid and to the extent that by exercise of due diligence it is unable to overcome. Neither party will be excused from any of its payment obligations under the Power Purchase Agreement as the result of any uncontrollable force. LEM's obligation to supply power to Big Rivers will not be excused unless the uncontrollable force prevents LEM from supplying power to Big Rivers from any source (not just the Facilities and the Station Two Facility).

Liability and Indemnity. Each party will indemnify and hold harmless the other party and its directors, officers and employees from all liabilities, losses, damages, claims, costs, and expenses on account of injury to persons or damage or destruction of property occasioned by the negligence or willful misconduct of the indemnifying party or its officers, directors, employees or contractors in the performance of the Power Purchase Agreement; provided, that (i) each party will be solely responsible to its own employees for all claims or benefits due for injuries occurring in the course of their employment or arising out of any workers compensation law, and (ii) neither party nor its directors, officers, or employees will be liable for any loss of earnings, revenues (except as specifically provided otherwise in the Power Purchase Agreement), indirect, consequential, incidental or special

damages (except as specifically provided otherwise in the Power Purchase Agreement) or injury which may occur to the other party as a result of outages in delivery of services under the Power Purchase Agreement for any reason whatsoever. Each party will indemnify and hold harmless the other party and its directors, officers and employees for any liability, loss, claim, or cost for any claims made by the indemnified party's electric service customers as a result of any failure by the indemnifying party to provide power as required by the Power Purchase Agreement for any reason whatsoever, except to the extent that the indemnifying party's failure to deliver power is excused by reason of an uncontrollable force or is the result of the negligent or willful actions of omissions of the indemnified party or its agents or employees.

LEC Guarantee

On April 6, 1998, LEC executed a guarantee agreement in favor of Big Rivers (the "LEC Guarantee"). As a condition to entering into the Participation Agreement and the LG&E Transaction, Big Rivers required LEC to provide certain assurances to Big Rivers as to the performance by the LG&E Entities of their respective obligations under the agreements relating to the LG&E Transaction.

Under the LEC Guarantee, LEC guarantees that each of the LG&E Entities will perform all of its present and future obligations to Big Rivers arising under any agreement between Big Rivers and any of the LG&E Entities relating to the LG&E Transaction (the "LG&E Agreements"), subject to all of the terms and conditions of the LG&E Agreements. If any of the LG&E Entities fails to perform any of its obligations under the LG&E Agreements, LEC will perform such obligations. The LEC Guarantee will extend to all renewals, replacements, amendments, extensions, consolidations and modifications of the LG&E Agreements.

If at any time LEC notifies Big Rivers that it owns less than a majority of the issued and outstanding capital stock of any of the LG&E Entities, Big Rivers will give LEC written notice of any such LG&E Entity's default under any of the LG&E Agreements and will initiate the giving of notice to LEC at the same time and in the same manner as notice is provided to the applicable LG&E Entity before enforcing the LEC Guarantee against LEC. LEC will be permitted to cure the default within the time permitted by the applicable LG&E Agreement.

The liability of LEC under the LEC Guarantee will be direct and primary and not contingent upon the pursuit of any remedies against any of the LG&E Entities or any other person. If under bankruptcy law or any other debtor relief law any of the LG&E Entities is relieved of or fails to incur any debt, obligations or liability as provided in the LG&E Agreements, LEC will nevertheless be fully liable therefor.

Subordination of Claims and Equity Interests. LEC has agreed to subordinate its claims against, and equity security interest in, any of the LG&E Entities (including any rights of subrogation and the rights to payment, collection, or enforcement of any present or future debt, liability or obligation of any of the LG&E Entities to LEC) so as to provide, to the maximum extent practicable, that the obligations of any of the LG&E Entities to Big Rivers will be performed before any debts, liabilities, or obligations of any of the LG&E Entities to LEC are paid or performed, or any distribution is made on account of the equity interest held by LEC.

LEC Covenants. LEC will notify Big Rivers within three business days after the occurrence of either of the following events: (i) LEC defaults under any loan agreement or debt instrument in an aggregate principal amount of $50 million or more which default enables the holder thereof to accelerate the maturity thereof and such debt is accelerated or such default will have continued unremedied and unwaived for 60 days; or (ii) the senior unsecured long-term debt securities of LEC are rated lower than BB by Standard & Poor's Ratings Group or lower than Ba by Moody's Investor Services, Inc. Upon such events, if requested in writing by Big Rivers, LEC will within 60 days of receipt of Big Rivers' request provide collateral to Big Rivers with respect to its obligations under the LEC Guarantee, in the form of cash or an irrevocable letter of credit in the amount of $60 million in a form satisfactory to Big Rivers from a banking institution with a rating of at least A and capital and surplus of at least $500 million. Big Rivers will be required to release any such collateral provided after delivery to Big Rivers of evidence that such default is no longer continuing and that the senior unsecured long-term debt securities of LEC are then rated BB or higher by Standard & Poor's Ratings Group and Ba or higher by Moody's Investor Services, Inc.

Default. If any representation or warranty made by LEC in the LEC Guarantee is incorrect in any material respect when made (other than representations that (i) LEC is executing the Guarantee at the request of the other

LG&E Entities and (ii) LEC has adequate means of obtaining information from the other LG&E Entities) or LEC fails to perform any covenant contained in the LEC Guarantee in any material respect, or fails to perform any of its obligations under the LEC Guarantee, which default is not cured within 15 days following the receipt by LEC of written notice of default from Big Rivers, Big Rivers will be entitled to terminate all (but not less than all) of the LG&E Agreements without further liability or obligation thereunder (other than liabilities arising under such LG&E Agreements prior to the date of such termination) and to pursue any or all other rights and remedies available to it at law or in equity.

Termination. The LEC Guarantee will terminate upon the latter of (i) the expiration of the statute of limitations pursuant to which Big Rivers has the right to pursue a claim or action against LEC or any LEC affiliate under the LEC Guarantee or any of the LG&E Agreements, or (ii) if a claim is made or action taken against LEC under the LEC Guarantee or any of the LG&E Agreements within the applicable statute of limitations, then the date upon which the final, unappealable resolution of all such claims and actions occurs, and continues until LEC's obligations under the LEC Guarantee are fulfilled.

Subordinated Mortgage

In order to secure certain obligations of Big Rivers to the LG&E Entities under the LG&E Agreements, Big Rivers has granted to WKEC, LEM and Station Two Subsidiary a subordinated mortgage on certain property of Big Rivers pursuant to the Mortgage and Security Agreement, dated as of the Effective Date (the "Subordinated Mortgage"), among Big Rivers, as mortgagor, and WKEC, LEM and Station Two Subsidiary, as mortgagees (collectively, the "LG&E Affiliates"). The Subordinated Mortgage is subordinate to the New RUS Mortgage in all respects and secures all payment and other obligations of Big Rivers to the LG&E Affiliates under certain agreements relating to the LG&E Transaction. The Subordinated Mortgage grants a lien on substantially all of Big Rivers' real property and personal property related to or used in connection with the Facilities.

During the term of the Subordinated Mortgage, Big Rivers has agreed to, among other things, (i) pay all obligations secured by the Subordinated Mortgage; (ii) keep property subject to the Subordinated Mortgage free and clear of all liens and encumbrances except for certain permitted liens and other exceptions; (iii) transfer property subject to the Subordinated Mortgage and its obligations under the Subordinated Mortgage only in the manner and to the extent permitted by certain LG&E Agreements; (iv) observe and perform each term to be observed or performed by it pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the property subject to the Subordinated Mortgage; and (v) perform such acts that are necessary for confirming the property interests granted under the Subordinated Mortgage.

The Subordinated Mortgage provides that an event of default is limited to the occurrence of any of the following occurrences: (i) Big Rivers fails to make payment when due of any amount owed by it to the LG&E Affiliates and such failure continues beyond any grace period, or notice and cure period, provided for in the agreements secured under the Subordinated Mortgage; or (ii) a final non-appealable judgment or arbitration award has been entered against Big Rivers based on a breach or default of the terms of any of the secured agreements. The Nondisturbance Agreement provides that RUS has the right to cure any default of Big Rivers under the Subordinated Mortgage (see APPENDIX C).

Upon the occurrence of an event of default under the Subordinated Mortgage involving the failure by Big Rivers to make a payment when due for three consecutive payment periods, or upon the occurrence of any other or subsequent event of default, the LG&E Affiliates will be permitted, among other things, to, in addition to exercising any of the remedies available to them pursuant to the applicable agreement: (i) institute proceedings to foreclose the Subordinated Mortgage; (ii) to the extent permitted, institute proceedings for partial foreclosure of the Subordinated Mortgage or the LEM Mortgage, (iii) institute an action for the specific performance of any covenant or condition; or (iv) recover judgment on any obligations either before, during, or after any proceedings for the enforcement of the Subordinated Mortgage. In the event of a sale of less than all of the property subject to the Subordinated Mortgage, the Subordinated Mortgage will continue on the remaining portion of the property. The lien of the Subordinated Mortgage will continue, unimpaired despite any recovery of a judgment by the LG&E Affiliates against Big Rivers.

LEM Mortgage

In order to secure only (i) Big Rivers' obligations under the Settlement Note, (ii) all payments, sums and debts due and owing to WKEC under certain provisions of the Participation Agreement, including the "Residual Value Payments," and (iii) payments due and owing in respect to Enhancements and Capital Improvements, Big Rivers has granted to LEM and WKEC a mortgage on certain properties of Big Rivers pursuant to the Mortgage and Security Agreement, dated as of the Effective Date (the "LEM Mortgage"). The LEM Mortgage grants a lien on substantially all of Big Rivers' real property and personal property related to or used in connection with the Facilities. In the event of a foreclosure of the LEM Mortgage, the Nondisturbance Agreement (see APPENDIX C) requires that the proceeds of such foreclosure be distributed to Ambac Assurance, the Trustee and CFC prior to any distribution to LEM or WKEC.

During the term of the LEM Mortgage, Big Rivers will, among other things (i) pay all obligations secured by the LEM Mortgage; (ii) keep properties subject to the LEM Mortgage free and clear of all liens and encumbrances except for certain permitted liens and other exceptions; (iii) transfer property subject to the LEM Mortgage only in the manner and to the extent permitted by certain operative documents relating to the LG&E Transaction; (iv) observe and perform each material term to be observed or performed by it pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the property subject to the LEM Mortgage; and (vi) perform such acts that are necessary for confirming the property interest granted under the LEM Mortgage.

The LEM Mortgage provides that an event of default is deemed to occur if: (i) the failure by Big Rivers to make payment when due of any amount owed by it to LEM or WKEC under the provisions of the Settlement Note or certain provisions of the Participation Agreement and such failure continues beyond any grace period, or notice and cure period, provided by the Settlement Note or the Participation Agreement, as applicable; (ii) a default by Big Rivers in the performance of any covenants or other provisions contained in the LEM Mortgage (other than payment of the Settlement Note according to its terms) and such default is not remedied within thirty (30) days following written notice from LEM or WKEC, as applicable, of such default, or (iii) a final non-appealable judgment or arbitration award has been entered against Big Rivers based on a breach or default of terms of the operative documents relating the LG&E Transaction (provided, however, an event of default shall be deemed to have occurred if Big Rivers, at any time, following receipt of a judgment in regard to such breach or default, shall fail to properly stay enforcement of the judgment pending any appeals therefrom). The Nondisturbance Agreement permits RUS to cure any default of Big Rivers under the LEM Mortgage (see APPENDIX C).

Upon the occurrence of an event of default under the LEM Mortgage, LEM and WKEC may, among other things: (i) institute proceedings to foreclose the LEM Mortgage; (ii) to the extent permitted, institute proceedings for partial foreclosure of the Subordinated Mortgage or the LEM Mortgage, (iii) institute an action for the specific performance of any covenant or condition; or (iv) recover judgment on the obligations under the LEM Mortgage during or after any proceedings for the enforcement of the LEM Mortgage. The lien of the LEM Mortgage will continue unimpaired despite any recovery of a judgment by LEM or WKEC against Big Rivers.

Transmission Service and Interconnection Agreement

Big Rivers, LEM, the Station Two Subsidiary and WKEC have entered into the Transmission Services and Interconnection Agreement ("Transmission Agreement"), which, in general, (i) allocates system operational responsibilities for transmission and generation between Big Rivers and the LG&E Entities, (ii) serves as the service agreement under Big Rivers' Open Access Transmission Tariff (the "Tariff") for short-term firm transmission service and non-firm transmission service, signifying the agreement of the LEC affiliate signatories to be charged for such transmission services under the rates, terms and conditions of that agreement, and (iii) further defines the rights and obligations of the parties with respect to the LG&E Entities' firm and non-firm use of Big Rivers' transmission system.

Big Rivers' System Operational Responsibilities. The Transmission Agreement allocates responsibility for transmission system operation to Big Rivers. Under the terms of the Transmission Agreement, Big Rivers will: (i) perform transmission system scheduling, (ii) operate the control area, (iii) operate the Open Access Same-time Information System required under the Tariff (the "OASIS"), (iv) perform real-time monitoring of transmission system contingencies, (v) perform static positioning of transmission system switchings, (vi) determine transmission

constraints, (vii) determine transmission system path ratings, (viii) contract to provide transmission facilities, (ix) plan, construct, operate and maintain the Transmission Facilities, (x) perform inadvertent interchange accounting with neighboring control areas, (xi) schedule transmission maintenance, (xii) monitor the adequacy of spinning and supplemental operating reserves, (xiii) respond to East Central Area Reliability Council ("ECAR") automatic reserve sharing requests by entering schedules and notifying plant operator; (xiv) enter ECAR automatic reserve sharing requests upon being notified by generator operator of loss of a unit, and (xv) monitor control area performance.

Generation Plant Operational Responsibilities. Subject to specified assignment rights, the LG&E Entities will: (i) perform generation unit commitment, (ii) dispatch generation, (iii) schedule generation maintenance, (iv) provide generation-based ancillary services, (v) implement emergency generation curtailment, (vi) allocate spinning and operating reserves among generation units in response to Big Rivers' direction, (vii) balance area control inadvertence accounts, and (viii) provide Big Rivers with loading information and information regarding loss of generating units and plans for recovery consistent with ECAR automatic reserve sharing requirements. In addition, the Transmission Agreement assigns cost responsibility for the installation, operation and maintenance of unit step-up transformers to the LG&E Entities, but provides that ownership of such facilities will vest in Big Rivers and that Big Rivers will perform such installation, operation and maintenance for the LG&E Entities for a fee.

Transmission Agreements. The Transmission Agreement is the service agreement pursuant to which the LG&E Entities may purchase transmission service from Big Rivers under the terms of the Tariff with respect to short-term firm point-to-point (transactions less than one year in length) and non-firm transmission service.

Member Transmission. The Transmission Agreement sets forth Big Rivers' commitment to provide the LG&E Entities with transmission for the power sold to Henderson Union and Green River (now, Kenergy) as Tier 1 and Tier 2 for use by the two aluminum smelters without additional charge so long as the Monthly Margin Payments are still being paid by the LG&E Entities to Big Rivers ("Member Transmission"). The agreement generally provides that Big Rivers will provide the LG&E Entities with up to 572 MW of network transmission service and up to 300 MW of non-firm point-to-point transmission service for Member Transmission as part of the Monthly Margin Payments (provided that no more than approximately 572 MW of network and non-firm service may be utilized simultaneously). Big Rivers deems the full cost of this Member Transmission as having been paid at the then applicable Tariff rates as part of the Monthly Margin Payments.

Transmission Rates. Big Rivers warrants that it will not charge the LG&E Entities for transmission more than the lesser of (i) the amount that Big Rivers imputes to itself for its own off-system transactions or (ii) the amount Big Rivers charges to any third party taking transmission service after the Effective Date for comparable service. Big Rivers also represents that the initial transmission rates contained in the Tariff were calculated in a manner consistent with methods approved by the FERC and agrees that it will not recalculate such rates during the first thirty-six months of the transaction unless Big Rivers' transmission revenue requirements increase by more than $1 million. Moreover, the LG&E Entities may request such a recalculation of rates provided that the rates may not be revised more than once every thirty-six months at the initiative of the same party unless the transmission revenue requirements since the last rate calculation increase by more than $1 million. Big Rivers also acknowledges that the transmission service it will supply to the LG&E Entities will not result in any stranded costs assuming the LG&E Entities and their affiliates do not violate the exclusivity requirements of the Power Purchase Agreement.

Abatement of Payments for Failure of Transmission System Due to Uncontrollable Forces. If an uncontrollable force causes Big Rivers to deliver, on behalf of the LG&E Entities, none of the output of the Facilities and the Station Two Facility for a period of 30 consecutive days or more, then the LG&E Entities will not be required to pay for their reserved transmission until such transmission service recommences. During such periods, the LG&E Entities' obligation to make the $5 million annual transmission payment under the Participation Agreement will be reduced proportionally according to a specified formula. Moreover, if an uncontrollable force causes a failure of performance on the part of Big Rivers that cannot be remedied or cured by repair to or replacement of or construction of tangible assets or property the use or enjoyment of which are required in order for the LG&E Entities to receive transmission, then Big Rivers must cure such failure of performance within 180 days or WKEC will have the right to thereafter reduce its fixed payment obligations (but not the Monthly Margin Payment) under the Lease. A formula sets forth the amount of such reduced payment as roughly equal to the full payment multiplied by the ratio of (i) the energy actually generated and transmitted to (ii) the greater of the amount

of energy generated or capable of being generated and sold. Such reduction in payment will extend for so long as the uncontrollable force is not remedied.

Events of Default. The occurrence of any of the following events will constitute a default under the Transmission Agreement: (i) failure by any party to make any payments as and when due under the Transmission Agreement, (ii) failure of any party to perform any material duty imposed on it by the Transmission Agreement, (iii) any attempt by a party to transfer an interest in the Transmission Agreement in breach of the Participation Agreement, (iv) certain bankruptcy or insolvency events, (v) failure, inability, or refusal of a party to cure a default or breach by any such party or its affiliate under certain agreements relating to the transaction which give rise to a termination of such other agreement, or any termination by a party of certain agreements relating to the transaction in breach or default under any such agreement.

If an event of default has occurred for which there is no cure period or if an event of default has not been cured within the time period required, the non-defaulting party will have, in addition to any rights it may have under law, (i) the right to pay the amount due or perform any required obligation and set-off such amount against any other payment due the defaulting party or any of its affiliates under any agreement relating to the LG&E Transaction, and (ii) the right to terminate the Transmission Agreement upon 30 days' notice to the defaulting party of its intention to do so. In addition, if a breach or default is curable but is of such a nature that it cannot be remedied or cured by repair to or replacement or construction of tangible assets or properties the use or enjoyment of which are required in order for the non-defaulting party to enjoy such material right or interests, then such breach or default must be cured within 180 days after notice or the non-defaulting party will have the right to terminate the agreement upon 2 business days' prior written notice.

Termination. The Transmission Agreement will terminate on December 31 of that year which is closest to the twenty-fifth anniversary of the Effective Date unless terminated by reason of a default for which there is no cure right or failure or refusal by a party to cure a default within the permitted period.

Station Two Agreement

The Agreement and Amendments to Agreements, dated the Effective Date, among the City of Henderson, Kentucky (the "City"), City of Henderson Utility Commission ("HUC" and collectively with the City, "Henderson"), Big Rivers, the Station Two Subsidiary, LEM, and WKEC (the "Station Two Agreement") implements the LG&E Transaction with respect to the Station Two Facility. The Station Two Facility is owned by Henderson. Pursuant to the Station Two Agreement, the Station Two Facility will be operated by the LG&E Entities and its output and costs allocated among the Big Rivers, Henderson and LG&E Entities during the LG&E Transaction Term.

Henderson will continue to receive its energy requirements (within certain contractual limits) from the Station Two Facility. Pursuant to the Station Two Contracts, Big Rivers is entitled to the remainder of the output of the Station Two Facility (the "Excess Output"). According to the Station Two Agreement, the Excess Output will be sold directly to the LG&E Entities following the Effective Date.

Assignment. Big Rivers has assigned to the LG&E Entities certain of Big Rivers' obligations under the Station Two Contracts, with the exception of obligations relating to transmission services and jointly owned facilities not related to generation which will be retained by Big Rivers. The Station Two Subsidiary will purchase the Excess Output of the Station Two Facility from HMP&L. While certain tax-exempt bonds relating to the Station Two Facility (the "Station Two Bonds") remain outstanding, LEM will resell all such Excess Output within Henderson and Daviess Counties, either to HMP&L, Big Rivers for resale to its Members in Henderson and Daviess Counties or Henderson Union (now, Kenergy) for use in serving the energy needs of an aluminum smelter. Big Rivers must purchase, while such bonds are outstanding, any such output that is not otherwise sold to HMP&L or Henderson Union by LEM.

Budgets. As with the other operative documents relating to the LG&E Transaction, an operating committee will prepare the budgets for capital expenditures and operating expenses relating to the Station Two Facility. However, the budgets as approved by the Operating Committee will be submitted to Henderson for its review and approval in accordance with the underlying Station Two Contract. Henderson has agreed to pay a fixed

share of these costs. The costs allocable to Big Rivers under the Station Two Contracts generally will be apportioned between the Station Two Subsidiary and Big Rivers, as under the other Operative Documents.

The Station Two Bonds. Until the Station Two Bonds are no longer outstanding, the energy generated at the Station Two Facility will be distributed only in Henderson and Daviess Counties.

Duties of LG&E Entities. The LG&E Entities have agreed to undertake certain financial obligations of Big Rivers under the Station Two Contracts as such obligations relate to the generation of electricity and will be responsible for the performance of its duties in operating the generation assets of the Station Two Facility in accordance with the underlying Station Two Contracts and, where not inconsistent with such contracts, prudent utility practice. The LG&E Entities' general duties regarding capital expenditures, maintenance of books and records, fuel supply, filings and budgets mirror substantially its obligations under the other operative documents relating to the LG&E Transaction. Henderson shares oversight with Big Rivers over the performance of certain of these duties.

Economic Development Power. Under the Station Two Agreement, Big Rivers is permitted to participate in the sale of Economic Development Power to new industrial customers served by the Station Two Facility.

Liability and Indemnity. Each party will indemnify and hold harmless the other party and its directors, officers, and employees from all liabilities, losses, damages, claims, costs and expenses on account of any breach or default in the performance of such party's obligations under the Station Two Agreement or injury to persons or damage or destruction of property occasioned by the negligence or willful misconduct of the indemnifying party or its officers, directors, employees or contractors, in the performance of their duties under the Station Two Agreement.

Events of Default. Events of default under the Station Two Agreement include: (a) failure by a party to pay when due any and all amounts payable to any other party in accordance with the terms of the Station Two Agreement; (b) any rejection in bankruptcy of the Station Two Agreement or any Station Two Contract by that party, or any other rescission or termination of the Station Two Agreement or any Station Two Contract (in whole or in material part) by that party in breach or default of the Station Two Agreement or such contract; (c) failure of that party to perform any material covenant or obligation that it may have under the Station Two Agreement; (d) any attempt by that party to transfer an interest in the Station Two Agreement other than in accordance with its terms; (e) any filing by that party of a petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency laws, or voluntarily taking advantage of any such laws by answer or otherwise or the commencement of any involuntary proceedings under any such laws; (f) assignment by that party for the benefit of creditors of any of its rights or interests under the Station Two Agreement or any Station Two Contracts or, in the case of Henderson, any of its rights or interests in the Station Two Facility or related assets; (g) allowance by that party of the appointment of a receive or trustee of all or a material portion of its property if such receiver or trustee is not discharged within 60 days after appointment; and (h) any breach by that party of a representation or warranty made by that party in the Station Two Agreement that has a material adverse effect on another party or such other party's contractual rights under the Settlement Note.

As between Big Rivers and the LG&E Entities only, defaults include any failure, inability or refusal of that party, or its affiliates, to cure a default or breach by such party or such party's affiliate under any other Operative Documents relating to the LG&E Transaction that gives rise to a termination of such agreement, or any termination by that party or its affiliates of any of other operative documents in breach or default under such agreement. Any failure by Big Rivers to pay the LG&E Entities under the Settlement Note will constitute a default by Big Rivers.

Abatement. If a condemnation or taking by governmental authority of all or substantially all of the Station Two Facility and related assets (the "Station Two Assets"), or of both or either of the Station Two generating units, Big Rivers has agreed that the fixed payments payable by LEM for each month during the condemnation or taking will be reduced proportionately by a fair market value ratio.

If the Station Two Assets are damaged or destroyed due to the negligence or willful misconduct of Big Rivers, then the fixed payments or the rent will be abated, and the debt service reimbursement payments to Big Rivers will on each monthly payment date be abated, until such time as the Station Two Assets are restored.

If Henderson terminates the Station Two Power Sales Agreement, the Station Two Operating Agreement or the Joint Facilities Agreement by reason of a breach or default thereunder by Big Rivers, the relevant LG&E Entities and WKEC will be entitled to an immediate abatement against, and the right to reduce, any fixed payments, rent or any debt service reimbursement payments thereafter owing by LG&E Entities to Big Rivers.

Set-off. There is a general right of set-off given to each of the parties in the Station Two Agreement for sums due and owing under that agreement against sums due such party in connection with the Station Two Agreement, the Station Two Contracts or other Operational Documents.

Uncontrollable Force. No party will be considered in default or breach under the Station Two Agreement if prevented from performance by an uncontrollable force. If LEM or the Station Two Subsidiary is unable to fulfill any obligation by reason of an uncontrollable force, it will exercise due diligence to remove such disability as soon as reasonably possible; provided, that no party will be relieved of any payment obligation that it may have to any other party (or to the trustee of the Station Two Bonds) under the Station Two Agreement or any Station Two Contract by reason of uncontrollable force.

Termination. If the damages incurred by a non-defaulting party (or such affiliates) have had a material adverse effect on that non-defaulting party's respective rights under the Station Two Agreement and the Station Two Contracts, taken as a whole, or on that non-defaulting party's business, financial condition or results of operations, then that non-defaulting party may terminate the Station Two Agreement upon 30-days notice to the defaulting party and any other non-defaulting parties; provided, however, if Henderson is the defaulting party, Big Rivers and the LG&E Entities have covenanted for the benefit of the other, but not for the benefit of Henderson, that neither Big Rivers nor the LG&E Entities, nor any of them, will exercise the right of that party to terminate the Station Two Agreement until such time as the Station Two Bonds are retired or redeemed in full. However, Big Rivers and the LG&E Entities have very limited rights to terminate the Station Two Agreement upon a default by Henderson without consent among Big Rivers and the LG&E Entities.

Notwithstanding anything contained elsewhere in the Station Two Agreement to the contrary, (i) Big Rivers may terminate the Station Two Agreement at any time that the LEC Guarantee provides Big Rivers with the right to terminate the operative documents relating to the LG&E Transaction, upon notice delivered to the LG&E Entities and Henderson, but only to the extent that Big Rivers also terminates all of the other operative documents pursuant to the LEC Guarantee, and (ii) Henderson may terminate the Station Two Agreement at any time that the LEC Guaranty, as in effect on the Effective Date, provides Henderson with the right to terminate the Station Two Agreement, upon notice delivered to Big Rivers and the LG&E Entities.

The LG&E Entities are entitled to terminate the Station Two Agreement in the event Henderson exercises any rights that it may have to terminate the significant Station Two Contracts by reason of a breach or default thereunder by Big Rivers. In the event that the other Operative Documents are terminated due to a breach by Big Rivers, the Station Two Subsidiary has the right to terminate the Station Two Agreement if, in addition, the Station Two Subsidiary is denied certain "fundamental rights" as defined in the agreement.

APPENDIX F

PARS PROVISIONS

Definitions

In addition to the words and terms elsewhere defined in this Offering Statement, the following words and terms as used in this Appendix F and elsewhere in this Offering Statement have the following meanings with respect to the Bonds in a PARS Rate Period unless the context or use indicates another or different meaning or intent:

"Agent Member" means a member of, or participant in, the Securities Depository who will act on behalf of a Bidder.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the auctioneer appointed in accordance with the provisions of the Bond Indenture and will initially be Bankers Trust Company.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in the Bond Indenture with respect to the Bonds while bearing interest at a PARS Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means during any period in which the Auction Procedures are not suspended in accordance with the provisions of the Bond Indenture, (i) if the Bonds are in a daily Auction Period, each Business Day, (ii) if the Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction will be conducted on such date); provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Special Auction Period will be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Fixed Rate Conversion Date for the Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day next preceding the Fixed Rate Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is August 28, 2001.

"Auction Period" means (i) a Special Auction Period, (ii) with respect to the Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (iii) with respect to the Bonds in a seven-day Auction Period, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) with respect to the Bonds in a 28-day Auction Period, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (v) with respect to the Bonds in a 35-day Auction Period, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (vi) with respect to the Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a

conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period, and (vii) with respect to the Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding January 1 or July 1; provided, however, that if there is a conversion of the Bonds from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), if there is a conversion from a daily Auction Period to a 28-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and, if there is a conversion from a daily Auction Period to a 35-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but not more than 35 days from such date of conversion.

"Auction Procedures" means the procedures for conducting Auctions for the Bonds during a PARS Rate Period set forth in the Bond Indenture and summarized in this Appendix F.

"Auction Rate" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the Minimum PARS Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Interest Rate.

"Available Bonds" means on each Auction Date, the aggregate principal amount of the Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of "Orders by Existing Owners and Potential Owners" of this Appendix F.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in the Bond Indenture, that is a member of, or a direct participant in, the Securities Depository, that has been selected by Big Rivers with the consent of Goldman, Sachs & Co., so long as Goldman, Sachs & Co. is a Broker-Dealer, and that is a party to a Broker-Dealer Agreement with the Auction Agent.

"Broker-Dealer Agreement" means an agreement among the Auction Agent, Big Rivers and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in the Bond Indenture, as such agreement may from to time be amended or supplemented.

"Default Rate" means, in respect of any Auction Period, the Maximum Interest Rate.

"Existing Owner" means a Person who is listed as the beneficial owner of the Bonds in the records of the Auction Agent.

"Fixed Rate Conversion Date" means the date on which the Bonds begin to bear interest at a Fixed Interest Rate.

"Hold Order" has the meaning specified in subsection (a) of "Orders by Existing Owners and Potential Owners" of this Appendix F.

"Initial Period" means the period from the Closing Date through and including August 28, 2001.

"Interest Payment Date" with respect to the Bonds bearing interest at PARS Rates, means August 29, 2001 and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Auction Period, or (ii) 92 or more days, each thirteenth Wednesday after the first day of such Special Auction Period or the next Business Day if such Wednesday is not a Business Day and on the Business Day immediately following such Special Auction Period, (d) after the Fixed Rate Conversion Date, each January 1 and July 1, (e) each Mandatory Tender Date, and (f) the Maturity Date.

"Maximum Interest Rate" means the lesser of eighteen percent (18%) or the maximum rate permitted by applicable law.

"Maximum PARS Rate" means, as of any Auction Date, the Maximum Interest Rate.

"Minimum PARS Rate" means, as of any Auction Date, 65% of the PARS Index in effect on such Auction Date.

"Moody's" means Moody's Investors Service and its successors and assigns.

"No Auction Rate" means, as of any Auction Date, the rate determined by multiplying the Percentage of PARS Index set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date, by the PARS Index:

Prevailing Rating	Percentage of PARS Index
AAA/Aaa	65%
AA/Aa	75
A/A	85
BBB/Baa	100
Below BBB/Baa	150

provided, however, that in no event will the No Auction Rate exceed the Maximum Interest Rate.

"Order" means a Hold Order, Bid or Sell Order.

"PARS" means the Bonds while they bear interest at the PARS Rate.

"PARS Index" will have the meaning specified in "PARS Index" of this Appendix F.

"PARS Rate" means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with the Bond Indenture as summarized under "Determination of PARS Rate" of this Appendix E; provided, however, in no event may the PARS Rate exceed the Maximum Interest Rate.

"PARS Rate Period" means after the Initial Period any period of time commencing on the day following the Initial Period to, but not including, a Fixed Rate Conversion Date.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

"Prevailing Rating" means (a) AAA/Aaa, if the Bonds will have a rating of AAA or better by S&P and a rating of Aaa or better by Moody's, (b) if not AAA/Aaa, AA/Aa if the Bonds will have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody's, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds will have a rating of A- or better by S&P and a rating of A3 or better by Moody's, (d) if not AAA/Aaa, AA/Aa, or A/A, then BBB/Baa if the Bonds will have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody's and (e) if not

AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Bonds are rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA," "AA," "A-" and "BBB-" and Moody's rating categories of "Aaa," "Aa3," "A3," and "Baa3" will be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies will have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof will use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency will be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating will determine the Prevailing Rating. If there is no rating, then the PARS Rate will be the Maximum Interest Rate.

"Principal Office" means, with respect to the Auction Agent, the office thereof designated in writing to Big Rivers, the Trustee and each Broker-Dealer.

"Rating Agency" means any nationally recognized securities rating agency maintaining a rating on the Bonds, pursuant to a request for a rating by Big Rivers.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Securities Depository" means The Depository Trust Company and its successors and assigns or any other securities depository selected by Big Rivers which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Sell Order" has the meaning specified in "Orders by Existing Owners and Potential Owners" of this Appendix F.

"Special Auction Period" means any period of not less than seven nor more than 1,092 days which is not another Auction Period and which begins on an Interest Payment Date and ends on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as will be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submitted Bid" has the meaning specified in "Determination of PARS Rate" of this Appendix F.

"Submitted Hold Order" has the meaning specified in "Determination of PARS Rate" of this Appendix F.

"Submitted Order" has the meaning specified in "Determination of PARS Rate" of this Appendix F.

"Submitted Sell Order" has the meaning specified in "Determination of PARS Rate" of this Appendix F.

"Sufficient Clearing Bids" means with respect to the Bonds, an Auction for which the aggregate principal amount of the Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Interest Rate is not less than the aggregate principal amount of the Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Interest Rate.

"Winning Bid Rate" means with respect to the Bonds, the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the PARS Rate would cause the aggregate principal amount of the Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

Auction Procedures

Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as will be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period;

(B) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period will not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period will be less than the rate per annum then specified by such Existing Owner); and/or

(C) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period.

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers will contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of the Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(a) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(b) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(c) above is herein referred to as a "Sell Order."

(b) (i) A Bid by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of the Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of the Bonds to be determined as described in subsection (a)(v) of the section below entitled "Allocation of the Bonds" if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate; or

(C) a lesser principal amount of the Bonds to be determined as described in subsection (b)(iv) of the section below entitled "Allocation of the Bonds" if such specified rate will be higher than the Maximum Interest Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of the Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of the Bonds as described in subsection (b)(iv) of the section below entitled "Allocation of the Bonds" if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner will constitute an irrevocable offer to purchase:

(A) the principal amount of the Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of the Bonds as described in subsection (a)(vi) of the section below entitled "Allocation of the Bonds" hereof if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies the Bonds to be held, purchased or sold in a principal amount which is not $100,000 or an integral multiple of $25,000 in excess thereof will be rounded down to the nearest $100,000, and the Auction Agent will conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction will be invalid with respect to such portion and the Auction Agent will conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction will be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures will be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the County of the occurrence of an Event of Default resulting from a failure to pay principal, premium or interest on any Bond when due (provided, however, that for purposes of this provision only payment by Ambac Assurance will be deemed to cure such Event of Default and no suspension of the Auction Procedures will occur) but will resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Event of Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer will submit to the Auction Agent in writing or by such other method as will be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, if requested, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of the Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of the Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of the Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of the Bonds, if any, subject to any Sell Order placed by such Existing Owner.

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of the Bonds to be converted held by such Existing Owner, the Auction Agent will deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders will be considered valid as follows:

(i) all Hold Orders will be considered Hold Orders, but only up to and including in the aggregate the principal amount of the Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner will be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of the Bonds held by such Existing Owner over the principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate will be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of the Bonds held by such Existing Owner over the principal amount of the Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids will be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of the Bonds held by such Existing Owner over the principal amount of the Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) will be treated as the subject of a Bid by a Potential Owner.

(iii) all Sell Orders will be considered Sell Orders, but only up to and including a principal amount of the Bonds equal to the excess of the principal amount of the Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of the Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate will be aggregated and considered a single Bid and each Bid submitted with a different rate will be considered a separate Bid with the rate and the principal amount of the Bonds specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum PARS Rate will be treated as a Bid specifying the Minimum PARS Rate.

(g) Neither the County, Big Rivers, the Trustee nor the Auction Agent will be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of PARS Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent will advise the Broker-Dealers, Big Rivers and the Trustee by telephone or other electronic communication acceptable to the parties of the Minimum PARS Rate, the Maximum PARS Rate, the Maximum Interest Rate and the PARS Index.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent will assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and will determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above the Auction Agent will advise the Trustee and Big Rivers by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Trustee will promptly notify the Securities Depository of such Auction Rate.

(d) In the event the Auction Agent fails to calculate, or for any reason fails to timely provide, the Auction Rate for any Auction Period, the PARS Rate for such Auction Period will be the No Auction Rate; provided, however, that if the Auction Procedures are suspended due to the failure to pay principal of, premium or interest on any Bond, the PARS Rate for the next succeeding Auction Period will be the Default Rate.

(e) In the event of a failed conversion to a Fixed Rate Period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the PARS Rate for the next Auction Period will be the Maximum PARS Rate and the Auction Period will be a seven-day Auction Period.

(f) If the Bonds are not rated or if the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the PARS Rate will be the Maximum Interest Rate.

Allocation of the Bonds

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders will be accepted or rejected by the Auction Agent as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner will be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate will be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of the Bonds obtained by multiplying (a) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (b) a fraction the numerator of which will be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which will be the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid will be rejected, thus requiring each such Existing Owner to sell any excess amount of the Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of the Bonds obtained by multiplying (a) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (b) a fraction the numerator of which will be the principal amount of Outstanding Bonds subject to such Submitted Bid and the denominator of which will be the sum of the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid will be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate will be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders will be accepted or rejected by the Auction Agent as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Interest Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Interest Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner will be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Interest Rate will be deemed to be and will be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of the Bonds obtained by multiplying (a) the aggregate principal amount of the Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (b) a fraction the numerator of which will be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which will be the principal amount of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid will be deemed to be and will be accepted as a Hold Order and each such Existing Owner will be required to continue to hold such excess amount of the Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Interest Rate will be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds which is not an integral multiple of $100,000 or any integral multiple of $25,000 in excess thereof on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date will be an integral multiple of $100,000 or any integral multiple of $25,000 in excess thereof, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than $100,000 in principal amount of the Bonds on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of PARS purchased on such Auction Date by any Potential Owner will be an integral multiple of $100,000 or any integral multiple of $25,000 in excess thereof, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Notice of PARS Rate

(a) On each Auction Date, the Auction Agent will notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following:

(i) the PARS Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of the Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of the Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of the Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of the Bonds to be (a) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (b) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner will: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (a) the PARS Rate determined on such Auction Date, (b) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (c) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of the Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of the Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

PARS Index

(a) The PARS Index on any Auction Date with respect to the Bonds in any Auction Period of 35 days or less will be the Seven-Day "AA" Composite Commercial Paper Rate on such date. The PARS Index with respect to the Bonds in any Auction Period greater than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in The Bond Buyer. If either rate is unavailable, the PARS Index will be an index or rate agreed to by all Broker-Dealers and consented to by Big Rivers.

"Seven-Day 'AA' Composite Commercial Paper Rate" on any date of determination, means the interest equivalent of the seven-day rate on commercial paper placed on behalf of non-financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by (a) the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or (b) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Goldman, Sachs & Co., Lehman Commercial Paper Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definitions of Seven-Day "AA" Composite Commercial Paper Rate, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Seven-Day "AA" Composite Commercial Paper Rate, the Seven-Day "AA" Composite Commercial Paper Rate will be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be CS First Boston Corporation or Morgan Stanley Dean Witter or their respective affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the Trustee (who will be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Trustee does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If for any reason on any Auction Date the PARS Index will not be determined as hereinabove provided in this Section, the PARS Index will be the PARS Index for the Auction Period ending on such Auction Date.

(c) The determination of the PARS Index as provided herein will be conclusive and binding upon the County, Big Rivers, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Miscellaneous Provisions Regarding Auctions

(a) In this Appendix F, each reference to the purchase, sale or holding of the Bonds will refer to beneficial interests in the Bonds, unless the context clearly requires otherwise.

(b) During a PARS Rate Period, the provisions of the Bond Indenture and the definitions contained therein and described in this Appendix F, including without limitation the definitions of Default Rate, Maximum PARS Rate, Minimum PARS Rate, Maximum Interest Rate, No Auction Rate, PARS Index and PARS Rate, may be amended pursuant to the Bond Indenture by obtaining the consent of the Owners of all Outstanding Bonds bearing interest at a PARS Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered Owners of the Outstanding Bonds as required by the Bond Indenture, (i) the PARS Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to Big Rivers and the Trustee an Opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled, the proposed amendment will be deemed to have been consented to by the Owners of all affected Outstanding Bonds bearing interest at a PARS Rate.

(c) If the Securities Depository notifies the County that it is unwilling or unable to continue as Owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the County within 90 days after the County receives notice or becomes aware of such condition, as the case may be, the County shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the County and the Trustee.

(d) During a PARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of the Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer will not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date

(a) Changes in Auction Period. (i) During any PARS Rate Period, Big Rivers may, from time to time on any Interest Payment Date of an Auction Period, change the length of the Auction Period with respect to all of the Bonds among daily, seven-days, 28-days, 35-days, three months, six months and a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds; provided, however, in the case of a change from a Special Auction Period the date of such change shall be the Interest Payment Date immediately following the last day of such Special Auction Period. Big Rivers will initiate the change in the length of the Auction Period by giving written notice to the County, the Trustee, Ambac Assurance, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period will change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period will be for a period of one day, seven-days, 28- days, 35-days, three months, six months or a Special Auction Period and will be for all of the Bonds in a PARS Rate Period.

(iii) The change in the length of the Auction Period will not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period will take effect only if (a) the Trustee and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from Big Rivers specifying the change in the length of the Auction Period and (b) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner will be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to in (a) above is not met, the Auction Rate for the next Auction Period will be determined pursuant to the Auction Procedures and the Auction Period will be the Auction Period determined without reference to the proposed change. If the condition referred to in (a) is met but the condition referred to in (b) above is not met, the Auction Rate for the next Auction Period will be the Maximum PARS Rate, and the Auction Period will be a seven-day Auction Period.

(v) On the conversion date for the Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any PARS Rate Period, the Auction Agent, with the written consent of Big Rivers, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent will provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the County, Big Rivers, the Broker-Dealers and the Securities Depository.

Conversions from a PARS Rate Period

At the option of Big Rivers, all, and not less than all, of the Bonds may be converted from a PARS Rate Period to a Fixed Rate Period, as follows:

(i) If the PARS are in an Auction Period other than a daily Auction Period or a Special Auction Period, the Fixed Rate Conversion Date will be the second regularly scheduled Interest Payment Date following the final Auction Date. If the PARS are in a daily Auction Period, the Fixed Rate Conversion Date will be the next regularly scheduled Interest Payment Date. If PARS are in a Special Auction Period, the Fixed Rate Conversion Date will be the Interest Payment Date immediately following such Special Auction Period.

(ii) Big Rivers will give written notice of any such conversion to the County, Ambac Assurance, the Trustee, the Remarketing Agent, if any, the Auction Agent and the Broker-Dealer not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice will specify the Proposed Fixed Rate Conversion Date. Together with such notice, Big Rivers will file with the County, Ambac Assurance and the Trustee an Opinion of Bond Counsel to the effect that the proposed conversion of the Bonds to a Fixed Interest Rate will not adversely affect the validity of the Bonds or any exemption from federal income taxation to which interest on the Bonds would otherwise be entitled. No conversion to a Fixed Interest Rate will become effective unless Big Rivers will also file with the County, Ambac Assurance and the Trustee, such an opinion dated the Fixed Rate Conversion Date, as the case may be.

(iii) Not less than twenty (20) days prior to the Fixed Rate Conversion Date, the Trustee will mail a written notice of the conversion to the holders of all the Outstanding Bonds, specifying the Fixed Rate Conversion Date and setting forth the matters required to be stated pursuant to the Bond Indenture with respect to purchases of the Bonds.

(iv) If on a Proposed Fixed Rate Conversion Date any condition precedent to such conversion required under the Bond Indenture is not satisfied (including, without limitation, a failure to remarket the Bonds at the principal amount thereof plus accrued interest, if any, to the date of purchase), the Trustee will give written notice by first class mail postage prepaid as soon as practicable and in any event not later than the next succeeding Business Day to the Bondholders, the County and Ambac Assurance that such conversion has not occurred, that the Bonds will not be purchased on the failed Fixed Rate Conversion Date, that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Fixed Rate Conversion Date, and that the interest rate will continue to be the PARS Rate; provided, however, that the interest rate borne by the Bonds during the Auction Period commencing on such failed Fixed Rate Conversion Date will be the Maximum PARS Rate, and the Auction Period will be a seven-day Auction Period.

Auction Agent

Auction Agent

(a) The Auction Agent will be appointed by the Trustee at the written direction of Big Rivers, to perform the functions specified in the Bond Indenture. The Auction Agent will designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it under the Bond Indenture by a written instrument, delivered to Big Rivers, the Trustee, the County and each Broker-Dealer which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as will be satisfactory to the County and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the Owner of or trade in the Bonds with the same rights as if such entity were not the Auction Agent.

Qualifications of Auction Agent; Resignation; Removal. The Auction Agent will be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital

stock, surplus and undivided profits of at least $30,000,000, or (b) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by the Bond Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Bond Indenture by giving at least ninety (90) days notice to Big Rivers, the County, Ambac Assurance and the Trustee. The Auction Agent may be removed at any time by Big Rivers by written notice, delivered to the Auction Agent, the County, Ambac Assurance and the Trustee. Upon any such resignation or removal, the Trustee will appoint a successor Auction Agent meeting the requirements of the Bond Indenture at the written direction of Big Rivers. In the event of the resignation or removal of the Auction Agent, the Auction Agent will pay over, assign and deliver any moneys and the Bonds held by it in such capacity to its successor. The Auction Agent will continue to perform its duties until its successor has been appointed by the Trustee (at the written direction of Big Rivers). In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to Big Rivers, the County and the Trustee even if a successor Auction Agent has not been appointed. In such case, the PARS Rate for such Auction Period will be the No Auction Rate, which will continue until a successor Auction Agent is appointed.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM PROCEDURES

Portions of the following description concerning DTC and DTC's book-entry system are based on information furnished by DTC. No representation is made herein by the County, Big Rivers or the Underwriter as to the accuracy or completeness of such information.

Book-Entry Only System

Ownership interests in the 2001 Bonds will be available only in book-entry form in the principal amount of $100,000 or any integral multiple thereof. Purchasers of beneficial Ownership interests in the 2001 Bonds will not receive certificates representing their interest in the 2001 Bonds so purchased. DTC will act as securities depository for the 2001 Bonds and the ownership of one or more fully registered 2001 Bonds will be registered in the name of Cede & Co., as nominee for DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of the 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2001 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2001 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2001 Bonds, except in the event that use of the book-entry system for the 2001 Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2001 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2001 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2001 BONDS, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE 2001 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

The County and the Trustee may treat DTC (or its nominee) as the sole and exclusive Owner of the 2001 Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the 2001 Bonds, selecting 2001 Bonds and portions thereof to be redeemed, giving any notice permitted or required to be given to Owners under the Bond Indenture (being the persons in whose names the 2001 Bonds are registered upon the registration books of the County maintained by the Registrar), registering the transfer of the 2001 Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The County and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial Ownership interest in the 2001 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the County (kept by the Trustee) as being an Owner, with respect to: the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant regarding Ownership interests in the 2001 Bonds; the payment by DTC or any Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the 2001 Bonds; the delivery to any Direct Participant or Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to Owners thereunder; the selection by DTC, any Direct Participant or Indirect Participant of any person to receive payment in the event of a partial redemption of the 2001 Bonds; or any consent given or other action taken by DTC as an Owner.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2001 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the securities for which it is acting as securities depository as soon as possible after the establishment of a "record date" by the issuer for purposes of soliciting consents or votes from the holders of such securities. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Neither DTC nor Cede & Co. will take any action to enforce covenants with respect to any security registered in the name of Cede & Co. Under its current procedures, on the written instructions of a Direct DTC Participant, DTC will cause Cede & Co. to sign a demand to exercise Bondholder rights as record holder of the quantity of securities specified in the Direct DTC Participant's instructions, and not as record holder of all the securities of that issue registered in the name of Cede & Co. Also, in accordance with DTC's current procedures, all factual representations to be made by Cede & Co. to the County, the Trustee or any other party must be made to DTC and Cede & Co. by the Direct DTC Participant in its instructions to DTC described above.

NEITHER THE COUNTY NOR THE TRUSTEE NOR THE UNDERWRITER (OTHER THAN IN ITS CAPACITY AS A DIRECT DTC PARTICIPANT) WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF THE 2001 BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENEDSS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

Principal and interest payments on the 2001 Bonds will be made to DTC. DTC's practice is to credit Direct Participant's accounts on a payment date in accordance with their respective holdings shown on DTC's records

unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

As long as the book-entry system is used for the 2001 Bonds, the Trustee will give any notice of redemption or any other notices required to be given to Owners of 2001 Bonds only to DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant, or of any Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2001 Bonds called for redemption or of any other action premised on such notice. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners may desire to make arrangements with a Direct Participant or Indirect Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners will be forwarded in writing by such Direct Participant or Indirect Participant.

NEITHER THE COUNTY, BIG RIVERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE 2001 BONDS.

For every transfer and exchange of a beneficial Ownership interest in the 2001 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Discontinuation of the Book-Entry System. DTC may determine to discontinue providing its service with respect to the 2001 Bonds at any time by giving notice to the County and discharging its responsibilities with respect thereto under applicable law. If the County determines (i) that DTC is unable to discharge its responsibilities with respect to the 2001 Bonds or (ii) that continuation of the system of book-entry only transfers through DTC is not in the best interest of the Beneficial Owners of the 2001 Bonds or the County, the County may thereupon terminate the services of DTC with respect to the 2001 Bonds. If for any such reason the book-entry only system is discontinued, 2001 Bond certificates will be delivered as described in the Bond Indenture in fully registered form in denominations of $5,000 or any integral multiple thereof in the names of Beneficial Owners or Direct Participants; provided, however, that in the case of any such discontinuance (other than as described in clause (ii) of the preceding sentence), the County may within 90 days thereafter appoint a substitute securities depository which, in the County's opinion, is willing and able to undertake the functions of DTC upon reasonable and customary terms.

In the event the book-entry system is discontinued, interest on the 2001 Bonds will be payable, at the option of the Trustee, by check or draft drawn upon the Trustee and mailed to the registered Owners thereof at their addresses as they shall appear on the registry books of the Trustee on the date which is 15 days prior to the Interest Payment Date, or, at the written request of any such person submitted to the Trustee on or prior to such date, by wire transfer per the instructions of such person set forth in such request. The principal and redemption price of all 2001 Bonds will be payable at the principal corporate trust office of the Trustee or, at the option of any Owner, at the principal office of any co-paying agent.

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of August 1, 2001 is executed and delivered by Big Rivers Electric Corporation ("Big Rivers") and U.S. Bank Trust National Association (the "Trustee"). This Disclosure Agreement relates to the $83,300,000 aggregate principal amount of Ohio County, Kentucky's "Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS)" (the "Bonds"). The Bonds have been issued by said County (the "County") pursuant to a Trust Indenture dated as of August 1, 2001 (the "Indenture") between the County and the Trustee and the proceeds loaned to Big Rivers.

The parties hereto covenant and agree as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is executed and delivered for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). Big Rivers and the Trustee acknowledge that the County has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement, and shall have no liability to any person, including any holder, owner or Beneficial Owner of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. *Definitions.* In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by Big Rivers pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent," if any, shall mean the person or firm, or any successor Dissemination Agent designated in writing by Big Rivers pursuant to Section 7 of this Disclosure Agreement and which has filed with Big Rivers and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Offering Statement" shall mean Big Rivers's final Offering Statement relating to the Bonds.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the Commonwealth of Kentucky.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

"Trustee" shall mean U.S. Bank Trust National Association and its successors and assigns.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Offering Statement.

SECTION 3. *Provision of Annual Reports*. For so long as shall be required by the Rule: (a) Big Rivers shall, or shall cause the Dissemination Agent to, not later than 6 months after the end of Big Rivers's fiscal year (presently December 31), commencing with the report for the 2001 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement, with a copy to the Trustee. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of Big Rivers may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If Big Rivers's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, Big Rivers shall provide the Annual Report to the Dissemination Agent (if other than Big Rivers). If Big Rivers is unable to provide to the Repositories an Annual Report by the date required in subsection (a), Big Rivers shall send a notice to each Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(c) If a Dissemination Agent is appointed by Big Rivers, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with Big Rivers certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. *Content of Annual Reports*. Big Rivers's Annual Report shall contain or include by reference the following:

1. The audited financial statements of Big Rivers for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If Big Rivers' audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Updated versions of the financial information and operating data contained under the indicated captions in the Offering Statement as follows:

   a. "SECURITY AND SOURES OF PAYMENT FOR THE 2001 BONDS – 2001 Note Secured by the Mortgage": the numbers set forth in the first paragraph thereof;

   b. "BIG RIVERS ELECTRIC CORPORATION – Introduction – General": the numbers set forth in the second and third paragraphs thereof;

c. "BIG RIVERS ELECTRIC CORPORATION – Introduction – The Members": the numbers set forth in the second paragraph thereof;

d. "BIG RIVERS ELECTRIC CORPORATION – Income Tax Status": the numbers set forth in the third paragraph thereof;

e. "SELECTED BIG RIVERS' FINANCIAL DATA – Statement of Revenue and Expenses and Balance Sheet";

f. "SELECTED BIG RIVERS' FINANCIAL DATA – Management's Discussion and Analysis of Financial Condition and Results of Operations": all of the information contained therein other than forecasted capital expenditures;

g. "SELECTED BIG RIVERS' FINANCIAL DATA – Capitalization";

h. "SELECTED BIG RIVERS' FINANCIAL DATA – Big Rivers' Debt": the numbers set forth under this caption;

i. "GENERATION FACILITIES AND THE STATION TWO FACILITY – General": the table set forth therein;

j. "GENERATION FACILITIES AND THE STATION TWO FACILITY – Kenneth C. Coleman Plant, Robert D. Green Plant, Robera A Reid Plant, D.B. Wilson Unit No. 1 Plant and Station Two Facility": the numbers set forth under such captions;

k. "GENERATION FACILITIES AND THE STATION TWO FACILITY – Other Power Supply Resources – SEPA Allocation": the numbers set forth under such caption;

l. "GENERATION FACILITIES AND THE STATION TWO FACILITY – Forecast of Member Load and Big Rivers' Resources": the numbers set forth in the second paragraph under such caption and information for the prior fiscal year for the information contained under the table "Power Resources and Member Load";

m. "GENERATION FACILITIES AND THE STATION TWO FACILITY – Big Rivers' Wholesale Rates to the Members": the table set forth therein;

n. "TRANSMISSION FACILITIES – Transmission Systems": the numbers set forth under such caption;

o. "TRANSMISSION FACILITIES – Transmission Capital Expenditures"; the information for the prior fiscal year for capital expenditures for transmission facilities;

p. "THE MEMBERS – Competition and Rate Comparisons": the numbers set forth in the table under such caption; and

q. "THE MEMBERS – Member Financial and Statistical Information": the tables set forth therein.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents relating to security issues of Big Rivers, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a disclosure

document, it must be available from the Municipal Securities Rulemaking Board. Big Rivers shall clearly identify each document so included by reference.

SECTION 5. *Reporting of Significant Events.* For so long thereafter as shall be required by the Rule: (a) Pursuant to the provisions of this Section 5, Big Rivers shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.

2. non-payment related defaults.

3. modifications to rights of Bondholders.

4. optional, contingent or unscheduled bond calls.

5. defeasances.

6. rating changes.

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.

8. unscheduled draws on the debt service reserves reflecting financial difficulties.

9. unscheduled draws on the credit enhancements reflecting financial difficulties.

10. substitution of the credit or liquidity providers or their failure to perform.

11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever Big Rivers obtains knowledge of the occurrence of a Listed Event, Big Rivers shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If Big Rivers determines in its sole discretion that knowledge of the occurrence of a Listed Event would be material and would require disclosure under applicable federal securities laws, Big Rivers shall promptly file a notice of such occurrence with the Repositories or the Municipal Securities Rulemaking Board and the State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. *Termination of Reporting Obligation.* Big Rivers's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, Big Rivers shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. *Dissemination Agent.* Big Rivers may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by Big Rivers pursuant to this Disclosure Agreement. Initially, Big Rivers will serve as its own dissemination agent.

SECTION 8. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Agreement, Big Rivers may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, Big Rivers shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by Big Rivers. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent Big Rivers from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If Big Rivers chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, Big Rivers shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. *Default.* In the event of a failure of Big Rivers to comply with any provision of this Disclosure Agreement the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 50% aggregate principal amount of Outstanding Bonds, shall), or any Owner or Beneficial Owner of the Bonds may (unless Big Rivers has so complied within 20 days after written notice from the Trustee of its failure to comply) take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause Big Rivers to comply with its obligations under this Disclosure Agreement. The Trustee shall not be required to take any enforcement action unless the Trustee has been furnished with security and indemnity satisfactory to the Trustee. A default under this Disclosure Agreement shall not be deemed a default or an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of Big Rivers to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. *Duties, Immunities and Liabilities of Dissemination Agent.* The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and Big Rivers agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's default or negligence or willful misconduct. The obligations of Big Rivers under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of Big Rivers, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the parties have each caused this Disclosure Agreement to be executed by their duly authorized representatives, all as of the date first above written.

BIG RIVERS ELECTRIC CORPORATION

By: _____
President and Chief Executive Officer

U.S. BANK TRUST NATIONAL ASSOCIATION

By: _____
An Authorized Representative

Attest:

By: _____
Trust Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Provider:	Big Rivers Electric Corporation
Name of Bond Issue:	Ohio County, Kentucky "Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS)"
Date of Issuance:	August 1, 2001

NOTICE IS HEREBY GIVEN that Big Rivers has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated August 1, 2001. Big Rivers anticipates that the Annual Report will be filed by_____.

Dated: _____,

BIG RIVERS ELECTRIC CORPORATION

By: _____
Name:

cc: Trustee

EXHIBIT B

NATIONAL REPOSITORIES

As of the date of this Continuing Disclosure Agreement, the following National Repositories are recognized by the Securities and Exchange Commission:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
(609) 279-3225
(609) 279-5962 (FAX)
e-mail address: Munis@Bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701
(201) 947-0107 (FAX)
e-mail address: nrmsir@dpcdata.com

Interactive Data
Attn: Repository
100 Williams Street
New York, NY 10038
(212) 771-6899
(212) 771-7390 (FAX)
e-mail address: NRMSIR@interactivedata.com

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
(212) 438-4595
(212) 438-3975 (FAX)
e-mail address: nrmsir_repository@sandp.com

APPENDIX I

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2001 Bonds, Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, proposes to render its final approving opinion with respect to such Bonds in substantially the following form:

_____, 2001

Ohio County Fiscal Court
County of Ohio, Kentucky
Hartford, Kentucky

Re: County of Ohio, Kentucky
Pollution Control Refunding Revenue Bonds,
Series 2001A
(Big Rivers Electric Corporation Project)
Periodic Auction Reset Securities (PARS)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the County of Ohio, Kentucky (the "Issuer") of $83,300,000 aggregate principal amount of the County of Ohio, Kentucky Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS) (the "2001 Bonds"), issued pursuant to the provisions of the Constitution and laws of the Commonwealth of Kentucky, including Sections 103.200 through 103.285, inclusive, of the Kentucky Revised Statutes, as amended (the "Act") and pursuant to a Trust Indenture, dated as of August 1, 2001 (the "Bond Indenture"), between the Issuer and U.S. Bank Trust National Association, as Trustee (the "Trustee"). The Bond Indenture provides that the 2001 Bonds are issued for the purpose of refunding the Issuer's Variable Rate Demand Pollution Control Refunding Revenue Bonds, Series 1985 (Big Rivers Electric Corporation Project). Pursuant to the Act, the Issuer and Big Rivers Electric Corporation, a nonprofit rural electric cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky ("Big Rivers"), have entered into a Financing and Loan Agreement, dated as August 1, 2001 (the "Financing Agreement") pursuant to which the proceeds of the sale of the 2001 Bonds are being loaned by the Issuer to Big Rivers. The obligation of Big Rivers to repay the loan made pursuant to the Financing Agreement is evidenced by a Note, dated August 1, 2001 (the "Note"), which constitutes an obligation of Big Rivers to make payments to the Trustee as assignee of the Issuer at such times and in such amounts as will be sufficient to pay the principal of and premium, if any, and interest on the 2001 Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Indenture.

In such connection, we have reviewed the Bond Indenture, the Financing Agreement, the Note, the Tax Certificate and Agreement, dated the date hereof, between the Issuer and Big Rivers (the "Tax Certificate"), certain ordinances of the Issuer, opinions of counsel to Big Rivers, the Trustee and the Issuer, certificates of the Issuer, the Trustee, Big Rivers and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Bond Indenture, the Financing Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of 2001 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any 2001 Bond

or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the 2001 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, including matters essential to the exclusion of interest on the 2001 Bonds from gross income for federal income tax purposes, and of the legal conclusions contained in the opinions, referred to in the second paragraph of this letter. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Indenture, the Financing Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2001 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2001 Bonds, the Bond Indenture, the Financing Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the Commonwealth of Kentucky. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Statement, dated July 18, 2001, relating to the 2001 Bonds or other offering material relating to the 2001 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer is a public body corporate and politic of the Commonwealth of Kentucky, created and existing as a county and political subdivision under the Constitution and the laws of such Commonwealth.

2. The Issuer has lawful authority for the issuance of the 2001 Bonds, and the 2001 Bonds constitute legal, valid and binding limited obligations of the Issuer.

3. The Bond Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Bond Indenture creates a valid pledge to secure the payment of the principal of and interest on the 2001 Bonds (to the extent provided therein). The Bond Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the 2001 Bonds, of the right, title and interest of the Issuer in the Financing Agreement and the Note other than the rights of the Issuer set forth in Sections 5.4 and 5.6 of the Financing Agreement.

4. The Financing Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

5. All approvals or consents of governmental authorities required to be obtained by the Issuer in connection with the issuance and sale of the 2001 Bonds have been obtained.

6. The 2001 Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the Issuer is pledged to the payment of the principal of or interest on the 2001 Bonds.

7. Interest on the 2001 Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954

Code"), except that no opinion is expressed as to the status of interest on any 2001 Bond during any period that such 2001 Bond is held by a "substantial user" of any facilities financed with 2001 Bond proceeds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Further, interest on the 2001 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.

8. Interest on the 2001 Bonds is exempt form all present Kentucky personal and corporate income taxes.

Except as stated in paragraphs 7 and 8 hereof, we express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2001 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND	)	CASE NO. 2007-00455
E.ON U.S., LLC, WESTERN KENTUCKY ENERGY CORP. AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	

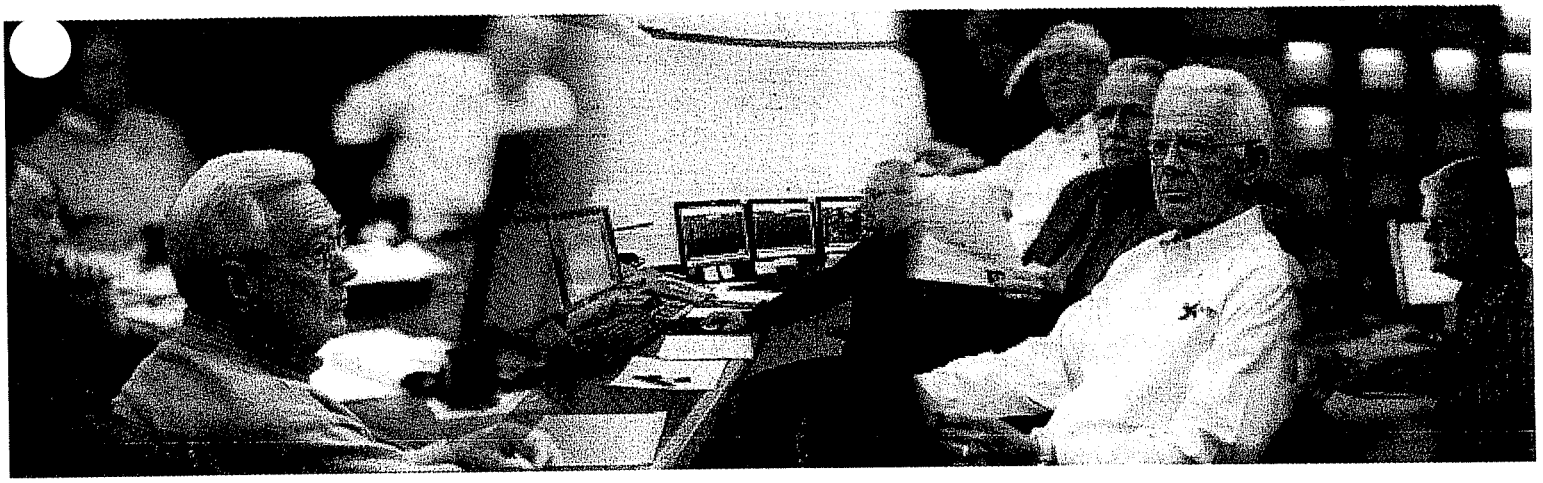
EXHIBIT 41

Annual Report to Members for 2005 and 2006

December 2007

leadership THROUGH TEAMWORK

2005 Annual Report



Big Rivers Electric Corporation

Your Touchstone Energy® Cooperative

The power of human connections

board chair
AND CEO'S REPORT

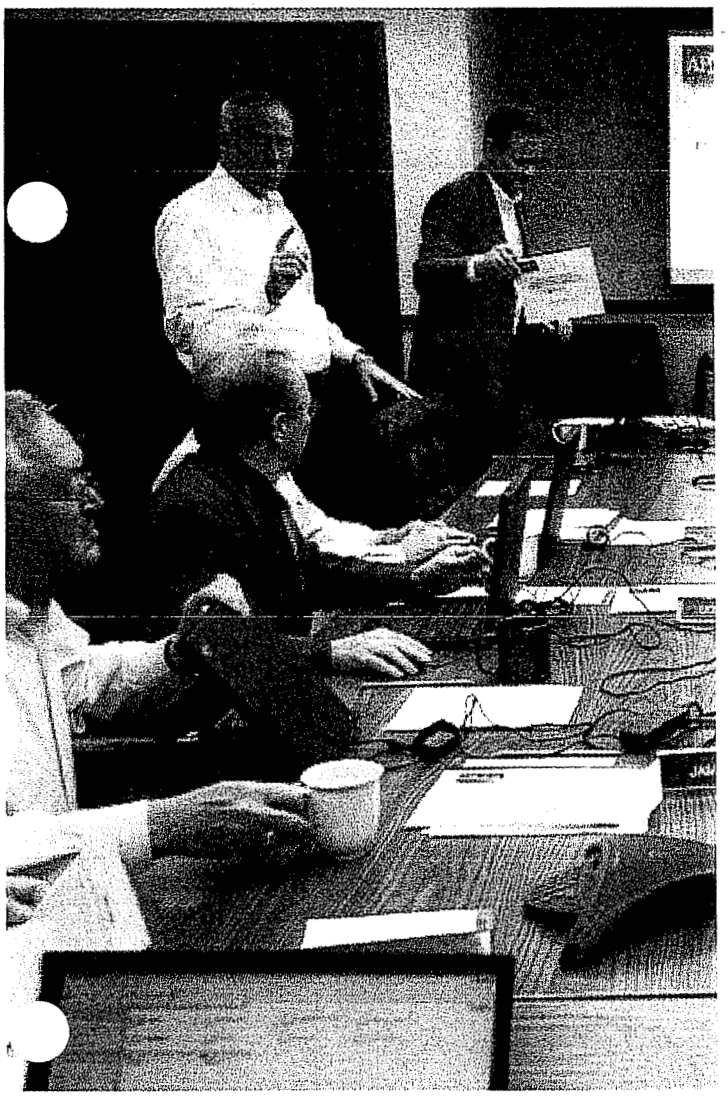
Michael Core, President and CEO
William Denton, Chair of the Board of Directors

It was another very good year for Big Rivers in 2005. We enjoyed our best year since our reorganization in 1998 with margins of $26.3 million. There are always many reasons behind any organization's success, but we would like to focus on what we believe has been a key throughout the last seven plus years; that is, leadership for the organization provided through teamwork.

The phrase "leadership through teamwork" seems to be an oxymoron as leadership implies singularity and teamwork implies more than one. But, clearly leadership at Big Rivers is not the result of any one single individual, but rather of many people working together. These include employees, board members, member-systems' boards and staffs. It also involves a number of people and organizations outside of Big Rivers that serve as an extension of our staff. These include, among others, the Kentucky Association of Electric Cooperatives (KAEC), the National Rural Electric Cooperative Association (NRECA), the National Rural Utilities Cooperative Finance Corporation (CFC), CoBank and ACES Power Marketing LLC (APM). In addition, outside legal counsels to Big Rivers as well as other consultants provide invaluable input that adds to expertise and depth of leadership that result from teamwork. Leadership through teamwork results in analyses, plans, strategies and day-to-day efforts that have brought us the success of the past seven plus years.

Teamwork begins with our board and member-systems. They have critical roles of input and direction, but they are not alone in this effort. Big Rivers' senior staff provides background, analyses and recommendations to its board and members that assist in setting the policies, budget, direction and leadership of the organization. From other staff members at Big Rivers comes additional teamwork efforts, supplemented by the outside entities referred to above, that provide the leadership in a myriad of projects.

Teamwork is also evidenced in the effort to create an even stronger Big Rivers for the future. After more than two years of intense work, Big Rivers announced in December that a Letter of Intent (LOI) was signed with E.ON U.S., LLC and certain of its affiliates (E.ON U.S. Parties), formerly LG&E Energy Corp., and one of its affiliates outlining the terms of an unwind of the 1998 transaction with those parties wherein Big Rivers leased its generating facilities and assigned its rights under the Henderson Municipal Power and Light (HMP&L) Station II arrangements to them. The 1998 transaction also included, among other things, a Purchase Power Agreement (PPA) between Big Rivers and an



affiliate of the E.ON U.S. Parties for power to supply to its members.

The signing of the LOI begins a process to seek all of the necessary approvals for an unwind by early 2007. At the same time, it was announced that a Memorandum of Understanding (MOU) with Century Aluminum of Kentucky LLC and Alcan Primary Products Corp. was signed to set the terms of a long-term power supply arrangement for their respective Hawesville and Sebree smelting operations.

The leadership for these efforts is underway through the work of a number of teams designed to pursue the various issues involved with obtaining the necessary unwind approvals, the development of final contracts for the smelters' power supply and the transition of taking back the operations of the plants. This is a monumental work effort that will take many months if the final goal is to be reached.

Big Rivers relies on many people and organizations to be successful and to chart its future. Future leadership at Big Rivers will continue to be the result of teamwork efforts in setting and reaching the goals necessary for success.

Michael Core, President and CEO

William Denton, Chair of the Board of Directors

leadership THROUGH TEAMWORK

Cooperatives, by their very nature, are teamwork entities. From the early days when neighbors worked together to seek solutions for bringing electricity to their homes, businesses and farms, the natural approach was to team up to accomplish these goals. This teamwork ultimately led to leadership and this leadership was always in touch with the team.

When the need for a long-term reliable power supply became apparent as the catalyst for economic growth in western Kentucky, Henderson-Union Rural Electric Cooperative, headquartered in Henderson, Green River Rural Electric Cooperative Corporation, headquartered in Owensboro, and Meade County Rural Electric Cooperative Corporation, headquartered in Brandenburg, teamed together to find the solution. The answer was Big Rivers Rural Electric Cooperative Corporation which was founded in 1961 (later to become Big Rivers Electric Corporation) to become the wholesale power supplier to these systems and their emerging economic development loads. In 1984 Jackson Purchase Electric Cooperative Corporation, headquartered in Paducah, elected to become the fourth member of the team that owns Big Rivers. A later consolidation of Green River and Henderson-Union created Kenergy Corp., headquartered in Henderson.

Today the three members of Big Rivers serve approximately 109,000 member-consumers in 22 western Kentucky counties, with Kenergy being the largest single electric distribution cooperative in the United States in terms of megawatt hours (MWh) sales due to serving two large smelter loads.

Big Rivers owns the Robert A. Reid Plant (130 megawatts [MW]), the Kenneth C. Coleman Plant (455 MW), the Robert D. Green Plant (454 MW) and the D. B. Wilson Plant (420 MW) totaling 1,459 MW of generating capacity. In addition, it currently has rights to another 217 MW in a contractual arrangement with the E.ON U.S. Parties from the HMP&L Station Two Facility.

In July of 1998, Big Rivers leased its generating plants and assigned its rights to the capacity of HMP&L facility to the E.ON U.S. Parties. Big Rivers provides power to its members from a PPA, member allocations from the Southeastern Power Administration (SEPA) and the wholesale power market. Big Rivers owns, operates and maintains its 1,223 mile transmission system and provides for transmission of power to its member-systems as well as to other third-party entities served under the Open Access Transmission Tariff.

Big Rivers and the E.ON U.S. Parties announced in December of 2005 that both entities have signed an LOI to unwind this transaction. The result of this will be to return the operation of the Big Rivers' generating plants, including the HMP&L Station Two facility, to Big Rivers. At the same time, Big Rivers, Century Aluminum of Kentucky LLC and

Alcan Primary Products Corp. also announced the signing of a MOU, which set the terms for the development of a long-term power supply contract through Kenergy for their respective Hawesville and Sebree aluminum smelting operations.

While many months went into negotiating the LOI with the E.ON U.S. Parties and the MOU with the two smelters, much work remains. It will require a great effort on part of the many individuals who work in teams to achieve the necessary definitive documents, regulatory and creditor approvals and resolve a myriad of other issues relating to returning to Big Rivers the operation of its power plants and HMP&L Station Two. If the approvals and other work are successfully completed, it is anticipated that the unwind will occur in early 2007.

Management Team

Front row (left to right):

Richard Beck
V.P. of Marketing/Member Relations

David Spainhoward
V.P. of External Relations
Interim Chief Production Officer

Paula Mitchell
Executive Assistant

Back row (left to right):

C. William Blackburn
V.P. of Financial Services
Chief Financial Officer
V.P. of Power Supply

Travis Housley
V.P. of Special Projects

Michael Core
President/CEO

David Crockett
V.P. of System Operations

James Haner
V.P. of Administrative Services

James Miller
Corporate Counsel