



FLEMING-MASON ENERGY
COOPERATIVE, INC.

P.O. Box 328 • FLEMINGSBURG, KENTUCKY 41041 • (606) 845-2661 • FAX (606) 845-1008

April 21, 2008

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PUBLIC SERVICE
COMMISSION

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 2007-00490

Dear Ms. Stumbo:

In response to the telephone conversation with Isaac Scott concerning the above referenced case, Fleming-Mason Energy submits the following clarifications with five copies:

Question: Exhibit 8, Page 1 of 2, LOAN AMOUNT: "a portion of the \$10 million line will be stop ordered until Fleming-Mason qualifies for the full \$10 million under RUS' Unsecured Indebtedness provision."

Response: Attached is Section 6.13 from RUS Loan provisions clarifying limitations on additional indebtedness.

Question: Exhibit 9, Page 2 of 16, "Unsecured Indebtedness Certificate", Exhibit A

Response: Attached is a copy of "Exhibit A". This will be calculated using most recent financials upon PSC approval and when application is submitted to CFC.

Please contact the office if you need further information.

Sincerely,

Joni K. Hazelrigg
CFO

cc: Attorney General Office

Except as expressly permitted by Article II of the Mortgage and subject to the further limitations expressed in the next section, the Borrower shall not incur, assume, guarantee or otherwise become liable in respect of any debt for borrowed money and Restricted Rentals (including Subordinated Indebtedness) other than the following: ("Permitted Debt")

- (a) Additional Notes issued in compliance with Article II of the Mortgage;
- (b) Purchase money indebtedness in non-Utility System property, in an amount not exceeding 10% of Net Utility Plant;
- (c) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (d) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;
- (e) Unsecured indebtedness for borrowed money, except when the aggregate amount of such indebtedness exceeds 15% of Net Utility Plant and after giving effect to such unsecured indebtedness the Borrower's Equity is less than 30% of its Total Assets;
- (f) Debt represented by dividends declared but not paid; and
- (g) Subordinated Indebtedness approved by RUS.

PROVIDED, However, that the Borrower may incur Permitted Debt without the consent of RUS only so long as there exists no Event of Default hereunder and there has been no continuing occurrence which with the passage of time and giving of notice could become an Event of Default hereunder.

PROVIDED, FURTHER, by executing this Agreement any consent of RUS that the Borrower would otherwise be required to obtain under this section is hereby deemed to be given or waived by RUS by operation of law to the extent, but only to the extent, that to impose such a requirement of RUS consent would clearly violate federal laws or RUS Regulations.

Section 6.14. Limitations on Issuing Additional Indebtedness Secured Under the Mortgage.

- (a) The Borrower shall not issue any Additional Notes under the Mortgage to finance Eligible Property Additions without the prior written consent of RUS unless the following additional requirements are met in addition to the requirements set forth in the Mortgage for issuing Additional Notes:
 - (1) The weighted average life of the loan evidenced by such Notes does not exceed the weighted average of the expected remaining useful lives of the assets being financed;
 - (2) The principal of the loan evidenced by such Notes is amortized at a rate that shall

Fleming-Mason Energy Cooperative, Inc. (KY052) Unsecured Indebtedness Certificate
CFC Loan No. KY052-P-5103
Date: _____

Net Utility Plant	\$
15% of Net Utility Plant	\$
Total unsecured indebtedness for borrowed money (NOT including this Line of Credit)	\$
Total amount of proposed Line of Credit availability requested	\$
Total unsecured indebtedness for borrowed money (including requested Line of Credit availability)	\$

	Current	Adjusted for Requested Amount of Unsecured Debt
Assets	\$	\$
Liabilities	\$	\$
Equity	\$	\$
Equity Ratio	%	%

Total unsecured indebtedness for borrowed money that may be incurred without the prior written consent of RUS	\$
Total current unsecured indebtedness for borrowed money (NOT including this Line of Credit)	\$
Amount of Line of Credit Availability	\$

The Borrower hereby warrants and guarantees that the amounts listed herein are valid in all respects and certifies based on the amounts shown and represented herein, that Borrower shall be in compliance with the limitation on unsecured indebtedness set forth in its loan contract(s) with RUS upon incurring the amount of unsecured indebtedness for borrowed money set forth in the line titled "Amount of Line of Credit Availability" above.

Borrower: Fleming-Mason Energy Cooperative, Inc.

Certified By: _____

Name: _____

Title: _____

Date: _____