

DORSEY, KING, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)  
FRANK N. KING, JR.  
STEPHEN D. GRAY  
WILLIAM B. NORMENT, JR.  
J. CHRISTOPHER HOPGOOD  
S. MADISON GRAY

TELEPHONE  
(270) 826-3965  
TELEFAX  
(270) 826-6672  
www.dkgnlaw.com

May 14, 2010

**FEDERAL EXPRESS**

Mr. Jeff DeRouen  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

RECEIVED

MAY 17 2010

PUBLIC SERVICE  
COMMISSION

Re: In the Matter of: Application of Kenergy Corp.  
For Authorization to Borrow \$9,110,101 From  
CoBank and Execute Necessary Notes and to  
Prepay Rural Utilities Service 5% Notes of the  
Same Amount

Dear Mr. DeRouen:

2010-201

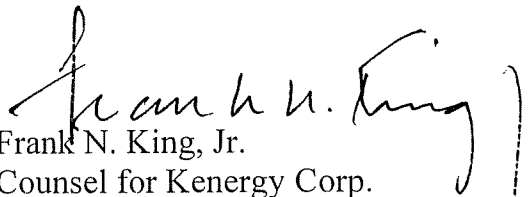
Enclosed for filing please find the original and 10 copies of Application of Kenergy Corp. in the above matter. As stated in the application Kenergy requests expedited approval by June 25, 2010, so that it may close the refinancing transaction by June 30, 2010. Kenergy has entered into a letter agreement with CoBank regarding the forward setting of a fixed interest rate and may incur a broken funding charge if it is unable to close by June 30, 2010 (see Exhibit 2, Attachment 2, of application for copy of said letter).

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By

  
Frank N. King, Jr.  
Counsel for Kenergy Corp.

FNKJr/cds

Encls.

COPY/w/encls.: Mr. Steve Thompson, Kenergy Corp.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
MAY 17 2010  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. FOR )  
AUTHORIZATION TO BORROW \$9,110,101 )  
FROM COBANK AND EXECUTE NECESSARY ) CASE NO.  
NOTES AND TO PREPAY RURAL UTILITIES )  
SERVICE 5% NOTES OF THE SAME AMOUNT )

APPLICATION

Kenergy Corp. (“Kenergy”) respectfully submits this application seeking expedited approval by June 25, 2010 (in order to close by June 30, 2010) of long-term refinancing, pursuant to KRS 278.300. The petition respectfully shows;

1. Kenergy is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Breckenridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster.
2. Kenergy’s post office address is Post Office Box 18, Henderson, Kentucky 42419-0018.
3. The current Articles of Consolidation are filed in Case No. 99-136.
4. As of March 31, 2010, Kenergy serves 54,980 member-customers. It has 7,011 miles of distribution lines in its fourteen county service territory, and owns additional facilities necessary to support this distribution system. The total original cost of these distribution lines and additional facilities as of March 31, 2010 is \$238,646,373.

5. The financial exhibit, as required by 807 KAR 5:001, Section 11(2)(a) is attached as Exhibit 1 of this application.

6. Kenergy is not seeking authorization to issue any kinds of stock as part of this application.

7. Kenergy seeks to borrow from CoBank a total of \$9,110,101 and execute one note in conjunction with this borrowing from CoBank at a fixed interest rate of 4.41%. The CoBank loan will be slightly less than the weighted average life of the debt being refinanced. A copy of the proposal letter from CoBank is attached in Exhibit 2, Attachment B, of this application. A copy of the resolution of the Kenergy Board of Directors approving the subject refinancing is attached in Exhibit 2, Attachment A. The CoBank loan is secured under the provisions of the Restated Mortgage and Security Agreement filed in Exhibit 2, Attachment C.

8. Kenergy expects the actual payoff to be very close to the \$9,110,101. Kenergy proposes to adjust any difference through the line of credit agreement with CoBank, which will allow the note with CoBank to stay at \$9,110,101.

9. Kenergy will use the proceeds from the CoBank loan to prepay notes of the same amount outstanding to Rural Utilities Service "RUS". The notes being prepaid are listed in the CoBank proposal in Exhibit 2, Attachment B.

10. Kenergy has received expedited approval from the Public Service Commission in Case No. 2004-00091 to refinance \$6,281,789 of 5% RUS notes with CoBank.

11. The notes secured by mortgages of Kenergy are listed in Exhibit 1, Attachment A, of this application.

12. As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 11(2)(c) is not applicable.

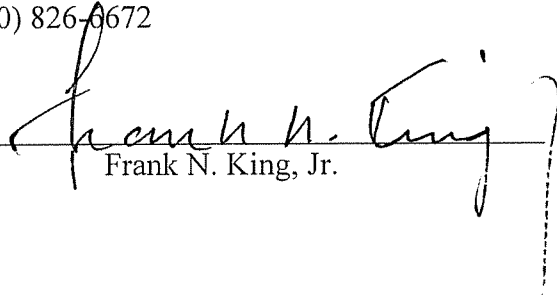
13. Additional information in support of this application is included in attached Exhibit 2, including net present value analysis of the cash flows over the life of the loan. The lifetime nominal cash flow dollar savings are \$1,654,364, with a present value of \$518,238 discounted at the fixed interest rate of 4.41% .

WHEREFORE, Kenergy asks that the Commission issue an Order authorizing Kenergy to execute and issue evidences of indebtedness as security for the CoBank loan described herein, and for any other relief to which it may be entitled.

DATED at Henderson, Kentucky, this 14<sup>th</sup> day of May, 2010.

DORSEY, KING, GRAY, NORMENT & HOPGOOD  
Attorneys for Applicant  
318 Second Street  
Henderson, Kentucky 42420  
Phone: (270) 826-3965  
FAX: (270) 826-6672

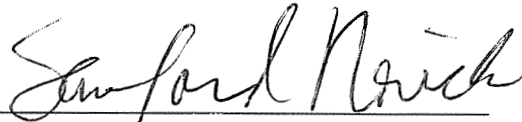
By: \_\_\_\_\_

A handwritten signature in black ink, appearing to read "Frank N. King, Jr.", is written over a horizontal line. The signature is cursive and extends to the right of the line.

Frank N. King, Jr.

VERIFICATION

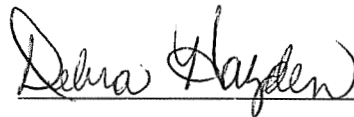
The undersigned, Sanford Novick, being first duly sworn states that he is the President and Chief Executive Officer of Kenergy Corp.; that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Sanford Novick

STATE OF KENTUCKY  
COUNTY OF HENDERSON

Subscribed, sworn to, and acknowledged before me by Sanford Novick this 14<sup>th</sup> day of May, 2010.

My commission expires May 24, 2011.

  
\_\_\_\_\_

(seal)

Notary Public, State of KY at Large

KENERGY CORP.

CASE NO. \_\_\_\_\_

INDEX OF EXHIBITS TO APPLICATION

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

- Exhibit 1 – Attachment A .....Notes Executed
- Exhibit 1 – Attachment B .....Statement of Operations
- Exhibit 1 – Attachment C .....Financial & Statistical Report

SUPPLEMENTAL INFORMATION

- Exhibit 2 - Attachment A ..... Board Resolution
- Exhibit 2 – Attachment B .....CoBank Proposal
- Exhibit 2 - Attachment C .....Restated Mortgage & Security Agreement



APPLICATION OF KENERGY CORP.

EXHIBIT 1

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

Unless otherwise noted, the financial information contained in this Exhibit is for the twelve months ending or as of March 31, 2010, which is within the 90 day requirement of 807 KAR 5:001, Section 6.

- Section 6(1) Kenergy has no stock authorized.
- Section 6(2) Kenergy has no stock issued or outstanding.
- Section 6(3) Kenergy has no preferred stock issued.
- Section 6(4) All of Kenergy's loans with the RUS, CoBank and CFC are secured by the Restated Mortgage and Security Agreement ("Restated Mortgage"), which was executed on July 1, 2003. A copy of the Restated Mortgage is attached as Exhibit 2, Attachment C. Kenergy is the mortgagor, while the RUS, CoBank and CFC are the mortgagees. The total debt limit is \$250,000,000. The current actual indebtedness is shown as Attachment A, pages 1 – 3 of Exhibit 1. There are no sinking fund provisions contained in the Restated Mortgage.
- Section 6(5) Kenergy has no bonds authorized or issued.
- Section 6(6) Attachment A to this Exhibit contains the listing of Kenergy's total notes outstanding.
- Section 6(7) Kenergy has no other indebtedness.
- Section 6(8) As Kenergy has no stock authorized, issued, or outstanding, no dividends have been paid during the five previous fiscal years.
- Section 6(9) Attachments B and C to this Exhibit contain Kenergy's detailed income statement and balance sheet.





FINANCIAL EXHIBITS FOR KENERGY

NOTES EXECUTED

AS OF MARCH 31, 2010

Line No.	Note Number	Date of Issue	Principal Balance	Date of Principal Maturity	Rate of Interest	Payable in Favor of	Date of Interest Term Maturity (if not same as principal)	LAST FISCAL YEAR (2009)
1	1B170	12/05/86	922,780.54	2021	5.00%	U.S. GOVERNMENT		\$ 48,427.42
2	1B172	12/05/86	922,780.54	2021	5.00%	U.S. GOVERNMENT		\$ 48,427.42
3	1B180	06/23/88	1,016,810.37	2023	5.00%	U.S. GOVERNMENT		\$ 52,908.87
4	1B182	06/23/88	1,016,810.37	2023	5.00%	U.S. GOVERNMENT		\$ 52,908.85
5	1B190	10/29/90	1,214,490.60	2025	5.00%	U.S. GOVERNMENT		\$ 62,774.77
6	1B192	06/29/92	1,214,490.60	2027	5.00%	U.S. GOVERNMENT		\$ 62,774.77
7	1B200	01/28/93	1,356,030.36	2028	5.00%	U.S. GOVERNMENT		\$ 69,660.98
8	1B201	01/28/93	361.13	2028	5.00%	U.S. GOVERNMENT		\$ 18.54
9	1B205	01/28/93	1,356,391.69	2029	5.00%	U.S. GOVERNMENT		\$ 69,679.57
10	1B210	12/14/94	1,290,917.29	2029	4.00%	U.S. GOVERNMENT		\$ 52,980.16
11	1B211	12/14/94	355.18	2029	3.12%	U.S. GOVERNMENT	05/31/11	\$ 11.40
12	1B215	12/14/94	1,210,084.30	2029	3.12%	U.S. GOVERNMENT	05/31/11	\$ 38,873.85
13	1B220	07/01/97	1,599,879.44	2032	3.50%	U.S. GOVERNMENT	12/31/13	\$ 57,290.61
14	1B225	07/01/97	1,611,932.70	2032	4.12%	U.S. GOVERNMENT		\$ 67,911.06
15	1B340	11/26/86	570,940.52	2021	5.00%	U.S. GOVERNMENT		\$ 29,977.38
16	1B342	11/26/86	570,940.52	2021	5.00%	U.S. GOVERNMENT		\$ 29,977.38
17	1B350	05/24/89	879,709.67	2024	5.00%	U.S. GOVERNMENT		\$ 45,618.86
18	1B353	05/24/89	904,269.56	2024	5.00%	U.S. GOVERNMENT		\$ 46,883.24
19	1B360	04/21/93	964,946.94	2029	5.00%	U.S. GOVERNMENT		\$ 49,430.42
20	1B366	04/21/93	991,165.47	2029	5.00%	U.S. GOVERNMENT		\$ 50,767.34
21	1B370	08/12/98	2,216,795.04	2033	5.12%	U.S. GOVERNMENT		\$ 115,616.11
22	1B375	01/19/99	358,734.20	2034	5.00%	U.S. GOVERNMENT		\$ 18,262.20
23	1B376	02/10/99	337,632.25	2034	5.00%	U.S. GOVERNMENT		\$ 17,187.94
24	1B377	05/12/99	759,672.44	2034	5.00%	U.S. GOVERNMENT		\$ 38,672.90
25	1B378	05/26/99	481,125.92	2034	5.00%	U.S. GOVERNMENT		\$ 24,492.84
26	1B380	02/01/01	16,051,243.54	2036	2.12%	U.S. GOVERNMENT	03/31/12	\$ 394,778.22
27	1B381	02/01/01	10,333,281.03	2036	2.13%	U.S. GOVERNMENT	04/30/17	\$ 316,224.78
28	1B382	02/01/01	5,536,787.94	2036	3.75%	U.S. GOVERNMENT	01/31/12	\$ 211,337.80
29	1B383	02/01/01	7,210,919.89	2036	3.25%	U.S. GOVERNMENT	07/31/11	\$ 238,867.96
30	1B384	02/01/01	8,487,413.30	2036	2.62%	U.S. GOVERNMENT	03/31/13	\$ 227,502.87
31	1B570	06/19/99	268,417.65	2034	5.00%	U.S. GOVERNMENT		\$ 13,664.42

FINANCIAL EXHIBITS FOR KENERGY

NOTES EXECUTED

AS OF MARCH 31, 2010

Line No.	Note Number	Date of Issue	Principal Balance	Date of Principal Maturity	Rate of Interest	Payable in Favor of	Date of Interest Term Maturity (If not same as principal)	LAST FISCAL YEAR (2009)
32	1B390	09/20/05	3,859,854.49	2040	4.69%	U.S. GOVERNMENT		\$ 183,117.07
33	1B391	09/20/05	3,870,726.33	2040	5.12%	U.S. GOVERNMENT		\$ 200,293.78
34	1B392	09/20/05	4,348,568.39	2040	4.90%	U.S. GOVERNMENT		\$ 215,443.57
35	1B393	09/20/05	4,352,930.41	2040	5.07%	U.S. GOVERNMENT		\$ 223,072.45
36	1B394	11/20/07	4,991,016.87	2042	4.47%	U.S. GOVERNMENT		\$ 225,778.54
37	1B395	07/24/08	5,041,781.51	2043	4.69%	U.S. GOVERNMENT		\$ 239,189.37
38	H0010	07/01/03	5,575,672.47	2037	4.815%	U.S. GOVERNMENT		\$ 279,505.87
39	H0015	07/01/03	4,646,393.79	2037	4.815%	U.S. GOVERNMENT		\$ 232,921.58
40	H0020	07/01/03	5,575,672.47	2037	4.815%	U.S. GOVERNMENT		\$ 279,505.87
41	H0025	07/01/03	4,046,810.55	2037	4.815%	U.S. GOVERNMENT		\$ 202,864.75
42	H0030	11/03/08	9,000,000.00	2042	3.419%	U.S. GOVERNMENT		\$ 276,140.71
43	H0035	11/03/08	9,000,000.00	2042	4.412%	U.S. GOVERNMENT		\$ 5,871.95
44	Economic Dev Loan	08/30/00	3,692.90	2010	0.00%	U.S. GOVERNMENT		\$ -
45	Economic Dev Loan	01/20/04	187,499.79	2014	0.00%	U.S. GOVERNMENT		\$ -
46	Economic Dev Loan	02/20/04	191,666.46	2014	0.00%	U.S. GOVERNMENT		\$ -
47	Economic Dev Loan	06/22/06	376,851.94	2016	0.00%	U.S. GOVERNMENT		\$ -
48	Economic Dev Loan	02/16/06	291,666.54	2016	0.00%	U.S. GOVERNMENT		\$ -
49	Cushion of Credit	n/a	(18,172,776.65)	n/a	5.00%	U.S. GOVERNMENT		\$ -
50	ML0501T1	07/01/97	1,533,476.94	2032	5.16%	CoBank	10/14/11	\$ 81,223.70
51	ML0501T2	12/05/86	986,872.00	2019	4.42%	CoBank	02/17/12	\$ 50,190.39
52	ML0501T4	10/05/88	1,033,844.00	2022	4.42%	CoBank	02/17/12	\$ 52,016.93
53	ML0501T5	02/03/84	770,751.00	2017	4.39%	CoBank	03/18/15	\$ 51,271.20
54	ML0501T6	10/05/93	1,233,390.87	2028	4.39%	CoBank	03/18/15	\$ 79,504.30
55	ML0501T7	01/05/94	1,202,606.24	2029	6.21%	CoBank	02/16/11	\$ 77,219.56
56	ML0501T8	06/15/92	1,273,247.00	2025	6.21%	CoBank	02/16/11	\$ 81,990.26
57	ML0501T10	10/02/01	3,095,309.07	2026	5.16%	CoBank	10/14/11	\$ 166,634.51
58	ML0501T11	09/19/03	1,977,494.41	2014	4.94%	CoBank		\$ 129,689.89
59	ML0501T12	04/05/04	783,713.08	2015	4.64%	CoBank		\$ 42,183.51
60	ML0501T13	04/05/04	991,899.36	2016	4.77%	CoBank		\$ 53,583.91
61	ML0501T14	04/05/04	696,027.48	2017	4.89%	CoBank		\$ 37,873.59
62	ML0501T15	04/05/04	1,289,791.97	2018	4.97%	CoBank		\$ 70,384.19

FINANCIAL EXHIBITS FOR KENERGY

NOTES EXECUTED

AS OF MARCH 31, 2010

Line No.	Note Number	Date of Issue	Principal Balance	Date of Principal Maturity	Rate of Interest	Payable in Favor of	Date of Interest Term Maturity (If not same as principal)	LAST FISCAL YEAR (2009)
63	ML0501T18	08/18/04	-	2009	6.19%	CoBank		\$ 237.45
64	ML0501T19	08/18/04	488,536.27	2021	6.24%	CoBank	02/16/12	\$ 33,017.25
65	ML0501T20	08/18/04	809,493.75	2029	6.24%	CoBank	02/16/12	\$ 53,117.15
66	ML0501T21	08/18/04	<u>1,276,843.68</u>	2033	6.24%	CoBank	02/16/12	\$ 83,122.52
67	TOTAL		<u>138,289,436.37</u> (1)					<u>\$ 6,260,876.75</u> (2)

(1) RUS Form 7, Part C, Line 41 plus 45.

(2) Exclusive of Cobank capital credits.



**KENERGY**  
**STATEMENT OF OPERATIONS**

ITEM (a)	TWELVE MONTHS March 31, 2010 (b)
1. Operating Revenue and Patronage Capital.....	\$367,718,872
2. Power Production Expense.....	
3. Cost of Purchased Power.....	\$329,232,712
4. Transmission Expense.....	
5. Distribution Expense - Operation.....	\$4,446,886
6. Distribution Expense - Maintenance.....	\$9,839,575
7. Consumer Accounts Expense.....	\$3,146,935
8. Customer Service and Informational Expense.....	\$180,950
9. Sales Expense.....	\$71,110
10. Administrative and General Expense.....	\$3,171,463
11. Total Operation & Maintenance Expense (2 thru 10).....	\$350,089,631
12. Depreciation and Amortization Expense.....	\$8,043,711
13. Tax Expense - Property & Gross Receipts.....	
14. Tax Expense - Other.....	\$360,646
15. Interest on Long-Term Debt.....	\$6,158,765
16. Interest Charged to Construction - Credit.....	-\$47,486
17. Interest Expense - Other.....	\$481,810
18. Other Deductions.....	\$75,673
19. Total Cost of Electric Service (11 thru 18).....	\$365,162,750
20. Patronage Capital & Operating Margins (1 minus 19).....	\$2,556,122
21. Non-Operating Margins - Interest.....	\$1,018,854
22. Allowance for Funds Used During Construction.....	
23. Income (Loss) from Equity Investments.....	
24. Non-Operating Margins - Other.....	-\$119,359
25. Generation and Transmission Capital Credits.....	
26. Other Capital Credits & Patronage Dividends.....	\$189,160
27. Extraordinary Items....(See Page 2, Part D).....	
28. Patronage Capital or Margins (20 thru 26).....	\$3,644,777



FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION	
	KENERGY	
	PERIOD ENDED	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B-2	MARCH 31, 2010	

**PART C. BALANCE SHEET**

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	240,468,133	30. Memberships.....	243,495
2. Construction Work in Progress.....	1,129,524	31. Patronage Capital.....	55,410,582
3. Total Utility Plant (1+2).....	241,597,657	32. Operating Margins - Prior Years.....	78,651
4. Accum. Provision for Depreciation and Amort.....	63,875,549	33. Operating Margins - Current Years.....	1,319,904
5. Net Utility Plant (3-4).....	177,722,108	34. Non-Operating Margins.....	271,413
6. Non-Utility Property (Net).....	19,756	35. Other Margins and Equities.....	2,236,382
7. Investments in Subsidiary Companies.....		36. Total Margins & Equities (30 thru 35).....	59,560,427
8. Invest. In Assoc.Org.-Patronage Capital.....	792,937	37. Long-Term Debt - RUS (Net).....	51,211,509
9. Invest. In Assoc.Org.-Other-General Funds.....	294,601	(Payments-Unapplied \$181,172,777)	
10. Invest. In Assoc.Org.-Other-Nongeneral Funds....	4,217,543	38. Long-Term Debt - RUS - Econ. Devel. (Net)	822,747
11. Investments in Economic Development Projects....	1,051,379	39. Long-Term Debt Other - REA Guaranteed	63,572,245
12. Other Investments.....	6,600	40. Long-Term Debt - Other (Net).....	17,767,799
13. Special Funds.....	376,566	41. Total Long-Term Debt (37 thru 40).....	133,374,300
14. Total Other Property and Investments (6 thru 13)...	6,759,382	42. Obligations Under Capital Leases.....	
15. Cash - General Funds.....	544,168	43. Accumulated Operating Provisions.....	2,381,046
16. Cash - Construction Funds - Trustee.....		44. Total Other Noncurrent Liabilities (42 + 43)...	2,381,046
17. Special Deposits.....		45. Notes Payable.....	4,915,136
18. Temporary Investments.....	5,956,637	46. Accounts Payable.....	31,649,720
19. Notes Receivable (Net).....		47. Consumer Deposits.....	3,360,499
20. Accounts Receivable - Sales of Energy (Net).....	30,746,101	48. Other Current and Accrued Liabilities.....	1,900,560
21. Accounts Receivable - Other (Net).....	5,026,066	49. Total Current & Accrued Liabilities (45 thru 48)	41,825,915
22. Materials and Supplies - Electric and Other.....	2,544,231	50. Deferred Credits.....	1,504,685
23. Prepayments.....	597,938	51. Accumulated Deferred Income Taxes.....	
24. Other Current and Accrued Assets.....	8,388,480	52. Total Liabilities and Other Credits	
25. Total Current and Accrued Assets (15 thru 24).....	53,803,621	(36 + 41 + 44 + 49 thru 51).....	238,646,373
26. Regulatory Assets.....		ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
27. Other Deferred Debits.....	361,262	53. Balance Beginning of Year.....	
28. Accumulated Deferred Income Taxes.....		54. Amount Received This Year(Net).....	
29. Total Assets and Other Debits (5+14+25 thru 28)	238,646,373	55. Total Contributions in Aid of Construction.....	

**PART D. NOTES TO FINANCIAL STATEMENTS**

THIS SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.  
(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)









P.O. Box 18 • 6402 Old Corydon Road  
Henderson, Kentucky 42419-0018  
(800) 844-4832

**KENERGY CORP.**

**RESOLUTION OF BOARD OF DIRECTORS**

**REFINANCING OF RURAL UTILITIES SERVICE 5% NOTES**

**WHEREAS**, a refinancing of Rural Utilities Service (RUS) secured debt is permitted under Article II, Section 2.02 of the RUS mortgage,

**WHEREAS**, Kenergy Corp. (Kenergy) has approximately \$9 million of RUS fixed 5% notes with maturities ranging from 11 to 15 years,

**WHEREAS**, in the current interest rate environment it appears that Kenergy will realize a savings if it replaces said RUS 5% notes with CoBank notes,

**WHEREAS**, the interest rate changes daily and the exact date of the loan closing is undeterminable because Kentucky Public Service Commission (KPSC) approval is required,

**NOW THEREFORE BE IT RESOLVED**, that Chris Mitchell, Kenergy Board Chairman, or Sanford Novick, President/CEO, is authorized to execute the forward setting of a fixed interest rate less than 5% exclusive of capital credit retirements.

**BE IT FURTHER RESOLVED**, that Sanford Novick, President/CEO, is authorized and directed, on behalf of Kenergy, to seek KPSC approval for refinancing all or a portion of said RUS 5% notes, as determined by the President/CEO and approved by KPSC.

I, Debra Hayden, Assistant Corporate Secretary of Kenergy Corp., do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Kenergy Corp. on May 11, 2010, at which a quorum was present and voted.

SEAL

Debra Hayden, Assistant Corporate Secretary





May 11, 2010

9000 Highway 101, 10  
Owensboro, KY 42309  
Phone 773.618.3000  
Fax 773.618.3000  
www.cobank.com

Steve Thompson  
Vice President of Accounting & Finance  
Kenergy Corp.  
P.O. Box 1389  
Owensboro, KY 42302

RE: 10 Year Forward Fix

Dear Steve,

The purpose of this letter is to confirm the agreement between CoBank, ACB ("CoBank") and Kenergy Corp. (the "Company") regarding the forward setting of a fixed rate with respect to a \$9,110,101.44 term loan to refinance the Rural Utilities Service. The terms of our agreement are as follows:

1. Amount to be fixed: \$9,110,101.44
2. Fixed Rate: 4.41% per annum.
3. Date fixed rate first becomes available: May 11, 2010
4. Date forward fixed rate ceases to be available: June 30, 2010
5. Date fixed rate period ends: June 20, 2020
6. Amount to be fixed does amortize over the fixed rate period as follows: Monthly level P&I payments commencing July 20, 2010 and ending June 20, 2020.
7. Broken Funding Charge: The Company agrees to pay to CoBank, on demand, a broken funding charge in the amount specified below if the Company does not, for any reason whatsoever (including, without limitation, the inability of the parties to agree on documentation or the Company's failure to satisfy applicable conditions precedent or the underlying loan commitment having been suspended or canceled or the reasons set forth in paragraph 8 below), borrow all of the amount to be fixed hereunder on or prior to the date the fixed rate ceases to be available. The broken funding charge shall be in an amount (calculated in accordance with methodology established by CoBank) equal to the present value of the sum of: (1) all losses and expenses incurred by CoBank in retiring, liquidating, or reallocating any debt, obligation, or cost incurred or allocated by CoBank to fund or hedge the forward fixed rate; plus (2) 1/2 of 1 percent of the amount to be fixed hereunder for the period such amount was scheduled to have been outstanding at the rate set forth above.
8. Please be advised that the loan requested by you has not been approved by CoBank, nor has a commitment for such loan been issued by CoBank. By signing this agreement, you acknowledge and agree that the broken funding charge provision will be applicable in the event that approval for the requested loan shall be denied or not obtained.

For our records, please acknowledge our agreement by signing in the space provided below and by returning this confirmation to my attention prior to the close of business today.

CoBANK, ACB

By:

Bill LaDuce

Title:

Vice President

AGREED AND ACCEPTED as of the date shown above:

Kenergy Corp.

By:

Chris Mitchell

Title:

Chairman

# **Kenergy Corp.**

## **RUS Refinancing Term Loan \$9,110,101**

**May 11, 2010**

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## **Executive Summary**

Kenergy Corp. (Kenergy) currently holds approximately \$9.1 million in RUS debt at an interest rate of 5%, which would qualify for CoBank refinancing at a life time fixed rate currently of 4.41%. At such a rate, CoBank's patronage refunds would result in an effective rate of approximately 3.63%, an effective savings of 78 basis points. The total projected savings amounts to \$1,654,364 with a present value of \$548,238. CoBank requests Kenergy's consideration as lender for these loans. Such refinancing of mortgage debt is permitted by RUS under Article II, Section 2.02 of the Mortgage.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), a side by side comparison of the RUS loans' interest cost versus CoBank's loan interest cost and patronage payments (Tab 2), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing (Tab 3) and a summary of anticipated closing procedures (Tab 4).

We propose to consolidate the ten RUS notes into a single note with a principal repayment tenor of 10 years versus the RUS consolidated notes' remaining life of fifteen years. Shortening the life of these notes to ten years would not dramatically increase your total debt service and will provide for a greater lifetime interest expense savings.

CoBank is pleased to have this opportunity to present this information as part of its effort to find innovative ways for Kenergy to enhance its success. This booklet is not a commitment to lend or an offer to make a loan. A commitment shall be in the form of a loan agreement upon receipt of an acceptable application, resolution, and other documentation as required by CoBank. Thank you for your consideration.

# TAB 1



## RUS notes proposed for refinancing:

Note ID	Principal Balance	Final Payment Date	Years Remaining
1B170	907,840.61	10/31/2021	11.35
1B172	907,840.61	10/31/2021	11.35
1B180	1,003,304.29	08/31/2023	13.18
1B182	1,003,304.29	08/31/2023	13.18
1B190	1,201,099.48	07/31/2025	15.10
1B192	1,201,099.48	07/31/2025	15.10
1B340	561,602.51	09/30/2021	11.26
1B342	561,602.51	09/30/2021	11.26
1B350	869,042.73	07/31/2024	14.10
1B353	893,364.93	07/31/2024	14.10
<b>Totals</b>	<b>9,110,101.44</b>		<b>15.10</b>

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

<u>Total Interest</u> <u>RUS @ 5.00%</u>	<u>Total Interest</u> <u>CoBank @ 4.41%</u>	<u>Total Savings</u>
\$3,356,039	\$2,190,528	\$1,165,511
<b>CoBank Cash Patronage Refund:</b>		<b>\$317,754</b>
<b>CoBank Stock Patronage Refund:</b>		<b><u>\$171,098</u></b>
<b>Total Life Time Benefit:</b>		<b><u>\$1,654,364</u></b>
<b>Present Value of Benefit (discounted @ 4.41%)</b>		<b><u>\$548,238</u></b>

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

# TAB 2

**Kenergy**  
**Annual Summary**  
Scenario - 10-Year Consolidated

Loan Amount	\$9,110,101
CoBank Loan Interest Rate	4.41%
Lifetime Cash Flow Savings	\$1,654,364
Lifetime CoBank Patronage	\$488,853
Lifetime Interest Savings	\$1,165,511
Lifetime NPV Benefit	\$548,238

	Combined RUS Loans				CoBank Loan					
	Principal Balance	Annual Principal Payment	Annual Interest Payment	Total Ann Cash Flow	Annual Cash Flow Differential	Total Ann Cash Flow	Annual Interest Payment	Annual Principal Payment	Principal Balance	Patronage Refund
2010	\$8,860,067	\$250,035	\$225,166	\$475,201	-\$99,435	\$574,636	\$205,905	\$368,731	\$8,741,370	\$0
2011	\$8,336,973	\$523,094	\$431,077	\$954,171	-\$155,749	\$1,109,920	\$375,319	\$763,953	\$7,977,418	-\$29,352
2012	\$7,788,301	\$548,672	\$404,365	\$953,037	-\$131,684	\$1,084,721	\$340,452	\$798,820	\$7,178,598	-\$54,551
2013	\$7,210,373	\$577,928	\$376,249	\$954,177	-\$135,608	\$1,089,785	\$303,993	\$835,278	\$6,343,319	-\$49,487
2014	\$6,602,878	\$607,495	\$346,684	\$954,180	-\$140,911	\$1,095,091	\$265,871	\$873,401	\$5,469,919	-\$44,181
2015	\$5,964,302	\$638,576	\$315,607	\$954,183	-\$146,450	\$1,100,633	\$226,009	\$913,263	\$4,556,656	-\$38,638
2016	\$5,293,900	\$670,402	\$282,974	\$953,377	-\$153,052	\$1,106,429	\$184,327	\$954,945	\$3,601,711	-\$32,843
2017	\$4,588,354	\$705,546	\$248,645	\$954,190	-\$158,292	\$1,112,483	\$140,743	\$998,528	\$2,603,183	-\$26,789
2018	\$3,846,712	\$741,643	\$212,551	\$954,194	-\$164,631	\$1,118,825	\$95,170	\$1,044,102	\$1,559,081	-\$20,446
2019	\$3,067,126	\$779,586	\$174,612	\$954,198	-\$171,253	\$1,125,451	\$47,517	\$1,091,755	\$467,326	-\$13,821
2020	\$2,248,083	\$819,043	\$134,748	\$953,791	\$488,136	\$465,655	\$5,221	\$467,326	\$0	-\$6,892
2021	\$1,475,922	\$772,161	\$93,251	\$865,411	\$866,166	-\$755	\$0	\$0	\$0	-\$755
2022	\$925,436	\$550,487	\$61,288	\$611,774	\$611,774	\$0	\$0	\$0	\$0	\$0
2023	\$428,457	\$496,978	\$33,754	\$530,732	\$530,732	\$0	\$0	\$0	\$0	\$0
2024	\$117,116	\$311,341	\$13,281	\$324,623	\$324,623	\$0	\$0	\$0	\$0	\$0
2025	\$0	\$117,116	\$1,786	\$118,902	\$165,020	-\$46,119	\$0	\$0	\$0	-\$46,119
2026	\$0	\$0	\$0	\$0	\$40,422	-\$40,422	\$0	\$0	\$0	-\$40,422
2027	\$0	\$0	\$0	\$0	\$32,971	-\$32,971	\$0	\$0	\$0	-\$32,971
2028	\$0	\$0	\$0	\$0	\$25,165	-\$25,165	\$0	\$0	\$0	-\$25,165
2029	\$0	\$0	\$0	\$0	\$17,010	-\$17,010	\$0	\$0	\$0	-\$17,010
2030	\$0	\$0	\$0	\$0	\$8,483	-\$8,483	\$0	\$0	\$0	-\$8,483
2031	\$0	\$0	\$0	\$0	\$929	-\$929	\$0	\$0	\$0	-\$929
2032	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2033	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2034	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2035	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2036	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2037	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2039	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2040	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2041	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2042	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2043	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Sum</b>		<b>\$9,110,101</b>	<b>\$3,356,039</b>	<b>\$12,466,140</b>	<b>\$1,654,364</b>	<b>\$10,811,776</b>	<b>\$2,190,528</b>	<b>\$9,110,101</b>		<b>\$488,853</b>

## Scenario - 10-Year Consolidated

### EXISTING RUS LOANS

Beginning Loan Balance \$ 9,110,101.44  
 Final Payment Date 7/31/24  
 Remaining Monthly Pmts 169  
 Initial RUS Monthly Pmt \$78,781.48  
 Roll Forward Date 06/30/2010

### CoBANK REFINANCING LOAN

Beginning Loan Balance \$ 9,110,101.44  
 Final Payment Date 6/30/20  
 Remaining Monthly Pmts 120  
 CoBANK Interest Rate 4.41%  
 Legal Costs \$5,000

Lifetime Interest \$3,356,039

Present Value of RUS Cash Flow \$9,110,101

Lifetime Interest \$2,185,528

Present Value of CoBank Cash Flow \$8,561,863

NPV Benefit of Refi = \$548,238

Payment Number	Combined RUS Loans				CoBank Loan				
	Principal Balance	Principal Payment	Interest Payment	Total Cash Flow	Total Cash Flow	Interest Payment	Principal Payment	Principal Balance	Legal Cost/ Pat Refund
06/30/2010	\$9,110,101							\$9,110,101	
07/31/2010	9,069,279	\$40,823	\$37,959	\$78,781	\$99,939	\$34,596	\$60,344	9,049,758	\$5,000
08/31/2010	9,028,283	40,996	37,789	78,785	94,939	33,720	61,220	8,988,538	0
09/30/2010	8,985,876	42,407	37,618	80,025	94,939	33,492	61,448	8,927,091	0
10/31/2010	8,944,525	41,350	37,441	78,791	94,939	33,263	61,677	8,865,414	0
11/30/2010	8,901,774	42,751	37,269	80,020	94,939	33,033	61,906	8,803,508	0
12/31/2010	8,860,067	41,707	37,091	78,798	94,939	32,802	62,137	8,741,370	0
01/31/2011	8,818,182	41,885	36,917	78,801	94,939	32,571	62,369	8,679,002	0
02/28/2011	8,772,496	45,686	36,742	82,429	94,939	32,338	62,601	8,616,401	0
03/31/2011	8,730,240	42,256	36,552	78,808	65,587	32,105	62,834	8,553,567	-29,352
04/30/2011	8,686,608	43,632	36,376	80,008	94,939	31,871	63,068	8,490,498	0
05/31/2011	8,643,987	42,621	36,194	78,815	94,939	31,636	63,303	8,427,195	0
06/30/2011	8,600,001	43,986	36,017	80,003	94,939	31,400	63,539	8,363,656	0
07/31/2011	8,557,012	42,989	35,833	78,822	94,939	31,163	63,776	8,299,880	0
08/31/2011	8,513,840	43,171	35,654	78,826	94,939	30,926	64,014	8,235,866	0
09/30/2011	8,469,319	44,521	35,474	79,995	94,939	30,687	64,252	8,171,614	0
10/31/2011	8,425,775	43,544	35,289	78,833	94,939	30,448	64,492	8,107,122	0
11/30/2011	8,380,892	44,883	35,107	79,990	94,939	30,207	64,732	8,042,391	0
12/31/2011	8,336,973	43,919	34,920	78,840	94,939	29,966	64,973	7,977,418	0
01/31/2012	8,292,867	44,106	34,737	78,843	94,939	29,724	65,215	7,912,202	0
02/29/2012	8,246,302	46,565	34,554	81,119	94,939	29,481	65,458	7,846,744	0
03/31/2012	8,201,811	44,491	34,360	78,851	40,389	29,237	65,702	7,781,042	-54,551
04/30/2012	8,156,008	45,803	34,174	79,978	94,939	28,992	65,947	7,715,095	0
05/31/2012	8,111,133	44,874	33,983	78,858	94,939	28,747	66,193	7,648,903	0
06/30/2012	8,064,957	46,176	33,796	79,972	94,939	28,500	66,439	7,582,464	0
07/31/2012	8,019,696	45,261	33,604	78,865	94,939	28,253	66,687	7,515,777	0
08/31/2012	7,974,243	45,453	33,415	78,869	94,939	28,004	66,935	7,448,842	0
09/30/2012	7,927,504	46,739	33,226	79,965	94,939	27,755	67,185	7,381,657	0
10/31/2012	7,881,660	45,845	33,031	78,876	94,939	27,504	67,435	7,314,222	0
11/30/2012	7,834,540	47,119	32,840	79,959	94,939	27,253	67,686	7,246,536	0
12/31/2012	7,788,301	46,239	32,644	78,883	94,939	27,001	67,938	7,178,598	0
01/31/2013	7,741,865	46,436	32,451	78,887	94,939	26,748	68,192	7,110,406	0
02/28/2013	7,692,050	49,815	32,258	82,072	94,939	26,494	68,446	7,041,960	0
03/31/2013	7,645,206	46,845	32,050	78,895	45,453	26,239	68,701	6,973,260	-49,487
04/30/2013	7,597,115	48,091	31,855	79,946	94,939	25,983	68,957	6,904,303	0
05/31/2013	7,549,867	47,248	31,655	78,902	94,939	25,726	69,214	6,835,089	0
06/30/2013	7,501,385	48,483	31,458	79,940	94,939	25,468	69,471	6,765,618	0
07/31/2013	7,453,730	47,654	31,256	78,910	94,939	25,209	69,730	6,695,888	0
08/31/2013	7,405,874	47,857	31,057	78,914	94,939	24,949	69,990	6,625,897	0
09/30/2013	7,356,799	49,074	30,858	79,932	94,939	24,688	70,251	6,555,646	0
10/31/2013	7,308,531	48,268	30,653	78,922	94,939	24,427	70,513	6,485,134	0
11/30/2013	7,259,057	49,474	30,452	79,927	94,939	24,164	70,775	6,414,358	0
12/31/2013	7,210,373	48,683	30,246	78,929	94,939	23,900	71,039	6,343,319	0
01/31/2014	7,161,483	48,890	30,043	78,933	94,939	23,635	71,304	6,272,015	0
02/28/2014	7,109,443	52,041	29,840	81,880	94,939	23,370	71,570	6,200,446	0
03/31/2014	7,060,124	49,319	29,623	78,941	50,759	23,103	71,836	6,128,610	-44,181
04/30/2014	7,009,629	50,495	29,417	79,912	94,939	22,835	72,104	6,056,506	0
05/31/2014	6,959,886	49,743	29,207	78,949	94,939	22,567	72,373	5,984,133	0
06/30/2014	6,908,979	50,907	29,000	79,907	94,939	22,297	72,642	5,911,491	0
07/31/2014	6,858,809	50,170	28,787	78,957	94,939	22,026	72,913	5,838,578	0
08/31/2014	6,808,426	50,383	28,578	78,961	94,939	21,755	73,185	5,765,394	0
09/30/2014	6,756,896	51,530	28,368	79,898	94,939	21,482	73,457	5,691,936	0
10/31/2014	6,706,081	50,816	28,154	78,970	94,939	21,208	73,731	5,618,206	0
11/30/2014	6,654,130	51,950	27,942	79,892	94,939	20,934	74,006	5,544,200	0
12/31/2014	6,602,878	51,252	27,726	78,978	94,939	20,658	74,281	5,469,919	0
01/31/2015	6,551,408	51,470	27,512	78,982	94,939	20,381	74,558	5,395,360	0
02/28/2015	6,497,027	54,381	27,298	81,678	94,939	20,103	74,836	5,320,524	0
03/31/2015	6,445,108	51,919	27,071	78,990	56,301	19,824	75,115	5,245,410	-38,638
04/30/2015	6,392,085	53,023	26,855	79,877	94,939	19,545	75,395	5,170,015	0
05/31/2015	6,339,720	52,365	26,634	78,999	94,939	19,264	75,676	5,094,339	0
06/30/2015	6,286,265	53,456	26,416	79,871	94,939	18,982	75,958	5,018,382	0
07/31/2015	6,233,450	52,814	26,193	79,007	94,939	18,699	76,241	4,942,141	0
08/31/2015	6,180,412	53,039	25,973	79,011	94,939	18,415	76,525	4,865,616	0
09/30/2015	6,126,301	54,111	25,752	79,862	94,939	18,129	76,810	4,788,807	0
10/31/2015	6,072,807	53,494	25,526	79,020	94,939	17,843	77,096	4,711,710	0
11/30/2015	6,018,255	54,553	25,303	79,856	94,939	17,556	77,383	4,634,327	0

12/31/2015	66	5,964,302	53,952	25,076	79,029	94,939	17,268	77,672	4,556,656	0
01/31/2016	67	5,910,121	54,182	24,851	79,033	94,939	16,978	77,961	4,478,695	0
02/29/2016	68	5,854,090	56,031	24,626	80,656	94,939	16,688	78,252	4,400,443	0
03/31/2016	69	5,799,440	54,650	24,392	79,042	62,097	16,396	78,543	4,321,900	-32,843
04/30/2016	70	5,743,764	55,676	24,164	79,840	94,939	16,104	78,836	4,243,064	0
05/31/2016	71	5,688,646	55,118	23,932	79,050	94,939	15,810	79,129	4,163,935	0
06/30/2016	72	5,632,514	56,131	23,703	79,834	94,939	15,515	79,424	4,084,510	0
07/31/2016	73	5,576,924	55,591	23,469	79,059	94,939	15,219	79,720	4,004,790	0
08/31/2016	74	5,521,097	55,827	23,237	79,064	94,939	14,922	80,017	3,924,773	0
09/30/2016	75	5,464,277	56,820	23,005	79,825	94,939	14,624	80,315	3,844,457	0
10/31/2016	76	5,407,972	56,305	22,768	79,073	94,939	14,325	80,615	3,763,843	0
11/30/2016	77	5,350,687	57,285	22,533	79,818	94,939	14,024	80,915	3,682,928	0
12/31/2016	78	5,293,900	56,787	22,295	79,082	94,939	13,723	81,217	3,601,711	0
01/31/2017	79	5,236,871	57,029	22,058	79,086	94,939	13,420	81,519	3,520,192	0
02/28/2017	80	5,177,449	59,423	21,820	81,243	94,939	13,116	81,823	3,438,369	0
03/31/2017	81	5,119,926	57,523	21,573	79,096	68,150	12,812	82,128	3,356,241	-26,789
04/30/2017	82	5,061,457	58,469	21,333	79,802	94,939	12,505	82,434	3,273,807	0
05/31/2017	83	5,003,441	58,016	21,089	79,105	94,939	12,198	82,741	3,191,066	0
06/30/2017	84	4,944,494	58,947	20,848	79,795	94,939	11,890	83,049	3,108,017	0
07/31/2017	85	4,885,982	58,512	20,602	79,114	94,939	11,581	83,359	3,024,658	0
08/31/2017	86	4,827,221	58,761	20,358	79,119	94,939	11,270	83,669	2,940,989	0
09/30/2017	87	4,767,549	59,672	20,113	79,785	94,939	10,958	83,981	2,857,008	0
10/31/2017	88	4,708,286	59,264	19,865	79,129	94,939	10,645	84,294	2,772,714	0
11/30/2017	89	4,648,125	60,160	19,618	79,778	94,939	10,331	84,608	2,688,106	0
12/31/2017	90	4,588,354	59,771	19,367	79,138	94,939	10,016	84,923	2,603,183	0
01/31/2018	91	4,528,330	60,025	19,118	79,143	94,939	9,700	85,240	2,517,943	0
02/28/2018	92	4,466,189	62,141	18,868	81,009	94,939	9,382	85,557	2,432,386	0
03/31/2018	93	4,405,646	60,543	18,609	79,153	74,493	9,063	85,876	2,346,509	-20,446
04/30/2018	94	4,344,242	61,404	18,357	79,761	94,939	8,743	86,196	2,260,313	0
05/31/2018	95	4,283,180	61,061	18,101	79,162	94,939	8,422	86,517	2,173,796	0
06/30/2018	96	4,221,273	61,907	17,847	79,754	94,939	8,100	86,840	2,086,956	0
07/31/2018	97	4,159,689	61,583	17,589	79,172	94,939	7,776	87,163	1,999,793	0
08/31/2018	98	4,097,844	61,845	17,332	79,177	94,939	7,451	87,488	1,912,305	0
09/30/2018	99	4,035,175	62,669	17,074	79,743	94,939	7,125	87,814	1,824,491	0
10/31/2018	100	3,972,802	62,374	16,813	79,187	94,939	6,798	88,141	1,736,350	0
11/30/2018	101	3,909,619	63,183	16,553	79,736	94,939	6,470	88,470	1,647,880	0
12/31/2018	102	3,846,712	62,907	16,290	79,197	94,939	6,140	88,799	1,559,081	0
01/31/2019	103	3,783,538	63,174	16,028	79,202	94,939	5,809	89,130	1,469,951	0
02/28/2019	104	3,718,540	64,997	15,765	80,762	94,939	5,477	89,462	1,380,489	0
03/31/2019	105	3,654,822	63,718	15,494	79,212	81,119	5,144	89,796	1,290,693	-13,821
04/30/2019	106	3,590,332	64,490	15,228	79,718	94,939	4,809	90,130	1,200,563	0
05/31/2019	107	3,526,070	64,263	14,960	79,223	94,939	4,473	90,466	1,110,097	0
06/30/2019	108	3,461,051	65,019	14,692	79,711	94,939	4,136	90,803	1,019,294	0
07/31/2019	109	3,396,239	64,812	14,421	79,233	94,939	3,798	91,141	928,153	0
08/31/2019	110	3,331,152	65,087	14,151	79,238	94,939	3,458	91,481	836,672	0
09/30/2019	111	3,265,332	65,820	13,880	79,700	94,939	3,117	91,822	744,850	0
10/31/2019	112	3,199,689	65,643	13,606	79,249	94,939	2,775	92,164	652,686	0
11/30/2019	113	3,133,329	66,360	13,332	79,692	94,939	2,432	92,507	560,178	0
12/31/2019	114	3,067,126	66,204	13,056	79,259	94,939	2,087	92,852	467,326	0
01/31/2020	115	3,000,641	66,485	12,780	79,264	94,939	1,741	93,198	374,128	0
02/29/2020	116	2,933,052	67,589	12,503	80,092	94,939	1,394	93,545	280,583	0
03/31/2020	117	2,865,998	67,054	12,221	79,275	88,047	1,045	93,894	186,689	-6,892
04/30/2020	118	2,798,266	67,731	11,942	79,673	94,939	696	94,244	92,446	0
05/31/2020	119	2,730,640	67,626	11,659	79,286	92,790	344	92,446	0	0
06/30/2020	120	2,662,352	68,288	11,378	79,665	0	0	0	0	0
07/31/2020	121	2,594,149	68,204	11,093	79,297	0	0	0	0	0
08/31/2020	122	2,525,656	68,493	10,809	79,302	0	0	0	0	0
09/30/2020	123	2,456,525	69,130	10,524	79,654	0	0	0	0	0
10/31/2020	124	2,387,448	69,078	10,236	79,313	0	0	0	0	0
11/30/2020	125	2,317,750	69,698	9,948	79,646	0	0	0	0	0
12/31/2020	126	2,248,083	69,667	9,657	79,324	0	0	0	0	0
01/31/2021	127	2,178,120	69,963	9,367	79,330	0	0	0	0	0
02/28/2021	128	2,106,965	71,155	9,076	80,231	0	0	0	0	0
03/31/2021	129	2,036,403	70,562	8,779	79,341	-755	0	0	0	-755
04/30/2021	130	1,965,262	71,141	8,485	79,626	0	0	0	0	0
05/31/2021	131	1,894,098	71,164	8,189	79,352	0	0	0	0	0
06/30/2021	132	1,822,373	71,726	7,892	79,618	0	0	0	0	0
07/31/2021	133	1,750,602	71,771	7,593	79,364	0	0	0	0	0
08/31/2021	134	1,678,527	72,075	7,294	79,370	0	0	0	0	0
09/30/2021	135	1,614,349	64,178	6,994	71,172	0	0	0	0	0
10/31/2021	136	1,564,987	49,362	6,726	56,089	0	0	0	0	0
11/30/2021	137	1,520,442	44,545	6,521	51,066	0	0	0	0	0
12/31/2021	138	1,475,922	44,520	6,335	50,855	0	0	0	0	0
01/31/2022	139	1,431,214	44,709	6,150	50,858	0	0	0	0	0
02/28/2022	140	1,385,727	45,487	5,963	51,450	0	0	0	0	0
03/31/2022	141	1,340,635	45,092	5,774	50,865	0	0	0	0	0
04/30/2022	142	1,295,169	45,467	5,586	51,053	0	0	0	0	0
05/31/2022	143	1,249,692	45,476	5,397	50,873	0	0	0	0	0
06/30/2022	144	1,203,852	45,841	5,207	51,048	0	0	0	0	0
07/31/2022	145	1,157,988	45,864	5,016	50,880	0	0	0	0	0
08/31/2022	146	1,111,929	46,059	4,825	50,884	0	0	0	0	0
09/30/2022	147	1,065,523	46,407	4,633	51,040	0	0	0	0	0
10/31/2022	148	1,019,071	46,451	4,440	50,891	0	0	0	0	0
11/30/2022	149	972,283	46,788	4,246	51,034	0	0	0	0	0
12/31/2022	150	925,436	46,847	4,051	50,899	0	0	0	0	0
01/31/2023	151	878,389	47,046	3,856	50,902	0	0	0	0	0
02/28/2023	152	830,782	47,607	3,660	51,267	0	0	0	0	0
03/31/2023	153	783,334	47,448	3,462	50,910	0	0	0	0	0
04/30/2023	154	735,577	47,757	3,264	51,021	0	0	0	0	0
05/31/2023	155	687,724	47,853	3,065	50,917	0	0	0	0	0
06/30/2023	156	639,575	48,150	2,866	51,015	0	0	0	0	0
07/31/2023	157	591,314	48,260	2,665	50,925	0	0	0	0	0

08/31/2023	158	554,219	37,095	2,464	39,559	0	0	0	0	0
09/30/2023	159	522,938	31,281	2,309	33,590	0	0	0	0	0
10/31/2023	160	491,600	31,338	2,179	33,517	0	0	0	0	0
11/30/2023	161	460,062	31,538	2,048	33,587	0	0	0	0	0
12/31/2023	162	428,457	31,605	1,917	33,522	0	0	0	0	0
01/31/2024	163	396,718	31,739	1,785	33,524	0	0	0	0	0
02/29/2024	164	364,736	31,982	1,653	33,635	0	0	0	0	0
03/31/2024	165	332,726	32,010	1,520	33,529	0	0	0	0	0
04/30/2024	166	300,535	32,191	1,386	33,577	0	0	0	0	0
05/31/2024	167	268,253	32,282	1,252	33,534	0	0	0	0	0
06/30/2024	168	235,797	32,456	1,118	33,574	0	0	0	0	0
07/31/2024	169	208,431	27,366	982	28,348	0	0	0	0	0
08/31/2024	170	190,332	18,099	868	18,968	0	0	0	0	0
09/30/2024	171	172,130	18,202	793	18,995	0	0	0	0	0
10/31/2024	172	153,876	18,253	717	18,970	0	0	0	0	0
11/30/2024	173	135,525	18,352	641	18,993	0	0	0	0	0
12/31/2024	174	117,116	18,409	565	18,973	0	0	0	0	0
01/31/2025	175	98,629	18,487	488	18,975	0	0	0	0	0
02/28/2025	176	80,023	18,606	411	19,017	0	0	0	0	0
03/31/2025	177	61,379	18,644	333	18,978	-46,119	0	0	0	-46,119
04/30/2025	178	42,647	18,732	256	18,988	0	0	0	0	0
05/31/2025	179	23,843	18,803	178	18,981	0	0	0	0	0
06/30/2025	180	4,957	18,886	99	18,986	0	0	0	0	0
07/31/2025	181	0	4,957	21	4,978	0	0	0	0	0
08/31/2025	182	0	0	0	0	0	0	0	0	0
09/30/2025	183	0	0	0	0	0	0	0	0	0
10/31/2025	184	0	0	0	0	0	0	0	0	0
11/30/2025	185	0	0	0	0	0	0	0	0	0
12/31/2025	186	0	0	0	0	0	0	0	0	0
01/31/2026	187	0	0	0	0	0	0	0	0	0
02/28/2026	188	0	0	0	0	0	0	0	0	0
03/31/2026	189	0	0	0	0	-40,422	0	0	0	-40,422
04/30/2026	190	0	0	0	0	0	0	0	0	0
05/31/2026	191	0	0	0	0	0	0	0	0	0
06/30/2026	192	0	0	0	0	0	0	0	0	0
07/31/2026	193	0	0	0	0	0	0	0	0	0
08/31/2026	194	0	0	0	0	0	0	0	0	0
09/30/2026	195	0	0	0	0	0	0	0	0	0
10/31/2026	196	0	0	0	0	0	0	0	0	0
11/30/2026	197	0	0	0	0	0	0	0	0	0
12/31/2026	198	0	0	0	0	0	0	0	0	0
01/31/2027	199	0	0	0	0	0	0	0	0	0
02/28/2027	200	0	0	0	0	0	0	0	0	0
03/31/2027	201	0	0	0	0	-32,971	0	0	0	-32,971
04/30/2027	202	0	0	0	0	0	0	0	0	0
05/31/2027	203	0	0	0	0	0	0	0	0	0
06/30/2027	204	0	0	0	0	0	0	0	0	0
07/31/2027	205	0	0	0	0	0	0	0	0	0
08/31/2027	206	0	0	0	0	0	0	0	0	0
09/30/2027	207	0	0	0	0	0	0	0	0	0
10/31/2027	208	0	0	0	0	0	0	0	0	0
11/30/2027	209	0	0	0	0	0	0	0	0	0
12/31/2027	210	0	0	0	0	0	0	0	0	0
01/31/2028	211	0	0	0	0	0	0	0	0	0
02/29/2028	212	0	0	0	0	0	0	0	0	0
03/31/2028	213	0	0	0	0	-25,165	0	0	0	-25,165
04/30/2028	214	0	0	0	0	0	0	0	0	0
05/31/2028	215	0	0	0	0	0	0	0	0	0
06/30/2028	216	0	0	0	0	0	0	0	0	0
07/31/2028	217	0	0	0	0	0	0	0	0	0
08/31/2028	218	0	0	0	0	0	0	0	0	0
09/30/2028	219	0	0	0	0	0	0	0	0	0
10/31/2028	220	0	0	0	0	0	0	0	0	0
11/30/2028	221	0	0	0	0	0	0	0	0	0
12/31/2028	222	0	0	0	0	0	0	0	0	0
01/31/2029	223	0	0	0	0	0	0	0	0	0
02/28/2029	224	0	0	0	0	0	0	0	0	0
03/31/2029	225	0	0	0	0	-17,010	0	0	0	-17,010
04/30/2029	226	0	0	0	0	0	0	0	0	0
05/31/2029	227	0	0	0	0	0	0	0	0	0
06/30/2029	228	0	0	0	0	0	0	0	0	0
07/31/2029	229	0	0	0	0	0	0	0	0	0
08/31/2029	230	0	0	0	0	0	0	0	0	0
09/30/2029	231	0	0	0	0	0	0	0	0	0
10/31/2029	232	0	0	0	0	0	0	0	0	0
11/30/2029	233	0	0	0	0	0	0	0	0	0
12/31/2029	234	0	0	0	0	0	0	0	0	0
01/31/2030	235	0	0	0	0	0	0	0	0	0
02/28/2030	236	0	0	0	0	0	0	0	0	0
03/31/2030	237	0	0	0	0	-8,483	0	0	0	-8,483
04/30/2030	238	0	0	0	0	0	0	0	0	0
05/31/2030	239	0	0	0	0	0	0	0	0	0
06/30/2030	240	0	0	0	0	0	0	0	0	0
07/31/2030	241	0	0	0	0	0	0	0	0	0
08/31/2030	242	0	0	0	0	0	0	0	0	0
09/30/2030	243	0	0	0	0	0	0	0	0	0
10/31/2030	244	0	0	0	0	0	0	0	0	0
11/30/2030	245	0	0	0	0	0	0	0	0	0
12/31/2030	246	0	0	0	0	0	0	0	0	0
01/31/2031	247	0	0	0	0	0	0	0	0	0
02/28/2031	248	0	0	0	0	0	0	0	0	0
03/31/2031	249	0	0	0	0	-929	0	0	0	-929



12/31/2038	342	0	0	0	0	0	0	0	0	0	0
01/31/2039	343	0	0	0	0	0	0	0	0	0	0
02/28/2039	344	0	0	0	0	0	0	0	0	0	0
03/31/2039	345	0	0	0	0	0	0	0	0	0	0
04/30/2039	346	0	0	0	0	0	0	0	0	0	0
05/31/2039	347	0	0	0	0	0	0	0	0	0	0
06/30/2039	348	0	0	0	0	0	0	0	0	0	0
07/31/2039	349	0	0	0	0	0	0	0	0	0	0
08/31/2039	350	0	0	0	0	0	0	0	0	0	0
09/30/2039	351	0	0	0	0	0	0	0	0	0	0
10/31/2039	352	0	0	0	0	0	0	0	0	0	0
11/30/2039	353	0	0	0	0	0	0	0	0	0	0
12/31/2039	354	0	0	0	0	0	0	0	0	0	0
01/31/2040	355	0	0	0	0	0	0	0	0	0	0
02/29/2040	356	0	0	0	0	0	0	0	0	0	0
03/31/2040	357	0	0	0	0	0	0	0	0	0	0
04/30/2040	358	0	0	0	0	0	0	0	0	0	0
05/31/2040	359	0	0	0	0	0	0	0	0	0	0
06/30/2040	360	0	0	0	0	0	0	0	0	0	0
07/31/2040	361	0	0	0	0	0	0	0	0	0	0
08/31/2040	362	0	0	0	0	0	0	0	0	0	0
09/30/2040	363	0	0	0	0	0	0	0	0	0	0
10/31/2040	364	0	0	0	0	0	0	0	0	0	0
11/30/2040	365	0	0	0	0	0	0	0	0	0	0
12/31/2040	366	0	0	0	0	0	0	0	0	0	0
01/31/2041	367	0	0	0	0	0	0	0	0	0	0
02/28/2041	368	0	0	0	0	0	0	0	0	0	0
03/31/2041	369	0	0	0	0	0	0	0	0	0	0
04/30/2041	370	0	0	0	0	0	0	0	0	0	0
05/31/2041	371	0	0	0	0	0	0	0	0	0	0
06/30/2041	372	0	0	0	0	0	0	0	0	0	0
07/31/2041	373	0	0	0	0	0	0	0	0	0	0
08/31/2041	374	0	0	0	0	0	0	0	0	0	0
09/30/2041	375	0	0	0	0	0	0	0	0	0	0
10/31/2041	376	0	0	0	0	0	0	0	0	0	0
11/30/2041	377	0	0	0	0	0	0	0	0	0	0
12/31/2041	378	0	0	0	0	0	0	0	0	0	0
01/31/2042	379	0	0	0	0	0	0	0	0	0	0
02/28/2042	380	0	0	0	0	0	0	0	0	0	0
03/31/2042	381	0	0	0	0	0	0	0	0	0	0
04/30/2042	382	0	0	0	0	0	0	0	0	0	0
05/31/2042	383	0	0	0	0	0	0	0	0	0	0
06/30/2042	384	0	0	0	0	0	0	0	0	0	0
07/31/2042	385	0	0	0	0	0	0	0	0	0	0
08/31/2042	386	0	0	0	0	0	0	0	0	0	0
09/30/2042	387	0	0	0	0	0	0	0	0	0	0
10/31/2042	388	0	0	0	0	0	0	0	0	0	0
11/30/2042	389	0	0	0	0	0	0	0	0	0	0
12/31/2042	390	0	0	0	0	0	0	0	0	0	0
01/31/2043	391	0	0	0	0	0	0	0	0	0	0
02/28/2043	392	0	0	0	0	0	0	0	0	0	0
03/31/2043	393	0	0	0	0	0	0	0	0	0	0
04/30/2043	394	0	0	0	0	0	0	0	0	0	0
05/31/2043	395	0	0	0	0	0	0	0	0	0	0
06/30/2043	396	0	0	0	0	0	0	0	0	0	0
07/31/2043	397	0	0	0	0	0	0	0	0	0	0
08/31/2043	398	0	0	0	0	0	0	0	0	0	0
09/30/2043	399	0	0	0	0	0	0	0	0	0	0
10/31/2043	400	0	0	0	0	0	0	0	0	0	0
11/30/2043	401	0	0	0	0	0	0	0	0	0	0
12/31/2043	402	0	0	0	0	0	0	0	0	0	0
01/31/2044	403	0	0	0	0	0	0	0	0	0	0
02/29/2044	404	0	0	0	0	0	0	0	0	0	0
03/31/2044	405	0	0	0	0	0	0	0	0	0	0
04/30/2044	406	0	0	0	0	0	0	0	0	0	0
05/31/2044	407	0	0	0	0	0	0	0	0	0	0
06/30/2044	408	0	0	0	0	0	0	0	0	0	0
07/31/2044	409	0	0	0	0	0	0	0	0	0	0
08/31/2044	410	0	0	0	0	0	0	0	0	0	0
09/30/2044	411	0	0	0	0	0	0	0	0	0	0
10/31/2044	412	0	0	0	0	0	0	0	0	0	0
11/30/2044	413	0	0	0	0	0	0	0	0	0	0
12/31/2044	414	0	0	0	0	0	0	0	0	0	0
01/31/2045	415	0	0	0	0	0	0	0	0	0	0
02/28/2045	416	0	0	0	0	0	0	0	0	0	0
03/31/2045	417	0	0	0	0	0	0	0	0	0	0
04/30/2045	418	0	0	0	0	0	0	0	0	0	0
05/31/2045	419	0	0	0	0	0	0	0	0	0	0
06/30/2045	420	0	0	0	0	0	0	0	0	0	0
07/31/2045	421	0	0	0	0	0	0	0	0	0	0
08/31/2045	422	0	0	0	0	0	0	0	0	0	0
09/30/2045	423	0	0	0	0	0	0	0	0	0	0
10/31/2045	424	0	0	0	0	0	0	0	0	0	0
11/30/2045	425	0	0	0	0	0	0	0	0	0	0
12/31/2045	426	0	0	0	0	0	0	0	0	0	0
01/31/2046	427	0	0	0	0	0	0	0	0	0	0
02/28/2046	428	0	0	0	0	0	0	0	0	0	0
03/31/2046	429	0	0	0	0	0	0	0	0	0	0
04/30/2046	430	0	0	0	0	0	0	0	0	0	0
05/31/2046	431	0	0	0	0	0	0	0	0	0	0
Sum		9,110,101	3,356,039	12,466,140		10,811,776	2,185,528	9,110,101		-483,853	



# TAB 3



Rural America's Cooperative Bank

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

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

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

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

Borrower Name	Kenergy
Schedule	10-Year Consolidated
Account Officer	LaDuca
Prepared by:	Darnelle
Quote Date	May 11, 2010
Origination Date	June 30, 2010
Amortization Start Date	July 31, 2010
Loan Amount	\$9,110,101
Years to Maturity	10.000
Nominal Interest Rate	4.41%
Estimated Legal Fees (\$)	5,000
Payments/Year	12
Amort Method	Level Payment
Days per Year	360
Payment Amount	\$94,939

Nominal Interest Rate	4.41%
Net Effective Interest Rate	3.63%
Reduction of Interest Rate	0.78%
Patronage Rate	1.00%
% Cash Patronage	65.00%
Initial Capital Purchase Amount	\$0
Target Equity	8.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Avg Loan Balance - 6 years ago	0
Avg Loan Balance - 7 years ago	0
Avg Loan Balance - 8 years ago	0

**Borrower:** Kenergy

Quote Date: May 11, 2010  
 Origination Date: June 30, 2010

Schedule:  
 Effective Interest Rate: 3.63%

10-Year Consolidated  
 3.63%

Year	Principal Advance A	Principal Payments B	Interest Payments C	Capital Purchases D	Cash Patronage E	Capital Retired in Cash F	Net Cash Flow G	Patronage Paid as Capital H	Capital Balance I	End of Period Loan Balance J	1 Year Avg Loan Balance K	10 Year Avg Loan Balance L	Target Equity M
2010	9,110,101	368,731	205,905	0	0	0	8,535,466	15,805	15,805	8,741,370	4,515,679	451,568	36,125
2011	0	763,953	375,319	0	29,352	0	-1,109,920	29,373	45,178	7,977,418	8,392,396	1,290,808	103,265
2012	0	798,820	340,452	0	54,551	0	-1,084,721	26,647	71,825	7,178,598	7,613,335	2,052,141	164,171
2013	0	835,278	303,993	0	49,487	0	-1,089,785	23,790	95,615	6,343,319	6,797,042	2,731,845	218,548
2014	0	873,401	265,871	0	44,181	0	-1,095,091	20,805	116,420	5,469,919	5,944,349	3,326,280	266,102
2015	0	913,263	226,009	0	38,638	0	-1,100,633	17,685	134,104	4,556,656	5,052,739	3,831,554	306,524
2016	0	954,945	184,327	0	32,843	0	-1,106,429	14,425	148,529	3,601,711	4,121,415	4,243,696	339,496
2017	0	998,528	140,743	0	26,789	0	-1,112,483	11,010	159,539	2,603,183	3,145,583	4,558,254	364,660
2018	0	1,044,102	95,170	0	20,446	0	-1,118,825	7,442	166,981	1,559,081	2,126,236	4,770,877	381,670
2019	0	1,091,755	47,517	0	13,821	0	-1,125,451	3,711	170,692	467,326	1,060,367	4,876,914	390,153
2020	0	467,326	5,221	0	6,892	0	-465,655	406	171,098	0	116,124	4,436,959	354,957
2021	0	0	0	0	755	0	755	0	171,098	0	0	3,597,719	287,818
2022	0	0	0	0	0	0	0	0	171,098	0	0	2,836,386	226,911
2023	0	0	0	0	0	0	0	0	171,098	0	0	2,156,681	172,535
2024	0	0	0	0	0	0	0	0	171,098	0	0	1,562,246	124,980
2025	0	0	0	0	0	46,119	46,119	0	124,980	0	0	1,056,973	84,558
2026	0	0	0	0	0	40,422	40,422	0	84,558	0	0	644,831	51,586
2027	0	0	0	0	0	32,971	32,971	0	51,586	0	0	330,273	26,422
2028	0	0	0	0	0	25,165	25,165	0	26,422	0	0	117,649	9,412
2029	0	0	0	0	0	17,010	17,010	0	9,412	0	0	11,612	929
2030	0	0	0	0	0	8,483	8,483	0	929	0	0	0	0
2031	0	0	0	0	0	929	929	0	0	0	0	0	0

TOTAL \$9,110,101 \$9,110,101 \$2,190,528 \$0 \$317,754 \$171,098 \$171,098



### **Projection of Cash Flows and Effective Interest Rates**

The following provides a column-by-column description of CoBank's Loan Rate Model. The Loan Rate Model provides projections of cash flows and effective interest rates based upon the assumptions given for each printout.

- Column C reflects the principal advances on the loan.
- Column E reflects the periodic principal payments.
- Column F reflects the periodic interest payments.
- Column H shows the capital purchases required based upon the assumptions. A new borrower must purchase \$1,000 capital.
- Column I reflects the cash patronage. Total patronage is calculated as a percentage of the one year average loan balance. CoBank is required by statute to pay a minimum of 20 percent patronage capital allocated to a borrower during each year in cash.
- Column J shows capital retirements in cash.
- Column K reflects the net cash flow for the borrower throughout the term of the loan.
- Column L reflects the allocated patronage used to purchase additional capital in CoBank. This represents the balance of the capital allocated each year which was not paid in cash.
- Column M shows the balance of purchased and allocated capital on a cumulative basis each year.
- Column N reflects the loan balance at the end of the year.
- Column O represents the one year average loan balance which is the basis for annual patronage.
- Column P represents average ten year loan balance which is the basis for determining the capital target for the borrower.
- Column Q shows the target equity for the borrower based upon the ten year average loan balance.

# TAB 4

## Refinancing Process

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

The specific steps for refinancing RUS notes are:

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

Excerpt from Article II of the RUS Mortgage

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



RUS PROJECT DESIGNATION:

KENTUCKY 65-B8 HENDERSON

RESTATED MORTGAGE  
AND  
SECURITY AGREEMENT

made by and among

KENERGY CORP.  
6402 Old Corydon Road  
Henderson, Kentucky 42420,

Mortgagor, and

UNITED STATES OF AMERICA  
Rural Utilities Service  
Washington, D.C. 20250-1500,

Mortgagee, and

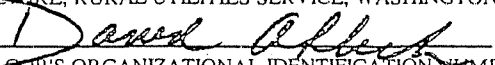
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION  
2201 Cooperative Way  
Herndon, Virginia 20171-3025,

Mortgagee, and

COBANK, ACB  
5500 South Quebec Street  
Greenwood Village, Colorado 80111-1914,

Mortgagee

Dated as of July 1, 2003

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.  
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.  
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.  
NOTICE - THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF UP TO \$250,000,000.00.  
INDEBTEDNESS SECURED HEREUNDER, INCLUDING FUTURE INDEBTEDNESS, TOGETHER WITH INTEREST, ARE SENIOR TO INDEBTEDNESS TO OTHER CREDITORS UNDER MORTGAGES AND LIENS FILED OR RECORDED SUBSEQUENT HERETO.  
THIS INSTRUMENT WAS PREPARED BY DAVID OBLICH, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.  
  
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 0471117.

No. 19

Generated: June 23, 2003

restmort v1h 12/3/98 v5.63 w/ UCC-1 revisions



RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of July 1, 2003 (hereinafter sometimes called this "Mortgage"), is made by and among KENERGY CORP. (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government"), NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia and COBANK, ACB (hereinafter called "CoBank"), a federally chartered instrumentality of the United States, and is intended to confer rights and benefits on the Government, CFC and CoBank, as well as any and all other lenders pursuant to Article II of this Mortgage that enter into a supplemental mortgage in accordance with Section 2.04 of Article II hereof (the Government, CFC and CoBank and any such other lenders being herein sometimes collectively referred to as the "Mortgagees").

## RECITALS

WHEREAS, the Mortgagor, the Government, CFC and CoBank or its predecessor, are parties to that certain Restated Mortgage and Security Agreement dated as of September 1, 1999, as supplemented, amended or restated (the "Original Mortgage" identified in Schedule "A" of this Mortgage) originally entered into among the Mortgagor, the Government acting by and through the Administrator of the Rural Electrification Administration, the predecessor of RUS, CFC and CoBank;

WHEREAS, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor from time to time in one or more series, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same;

WHEREAS, the Mortgagor desires to enter into this Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity;

WHEREAS, this Mortgage restates and consolidates the Original Mortgage while preserving the priority of the Lien under the Original Mortgage securing the payment of Mortgagor's outstanding obligations secured under the Original Mortgage, which indebtedness is described more particularly by listing the Original Notes in Schedule "A" hereto; and

WHEREAS, all acts necessary to make this Mortgage a valid and binding legal instrument for the security of such notes and obligations, subject to the terms of this Mortgage, have been in all respects duly authorized;

NOW, THEREFORE, THIS MORTGAGE WITNESSETH: That to secure the payment of the principal of (and premium, if any) and interest on the Original Notes and all Notes issued hereunder according to their tenor and effect, and the performance of all provisions therein and herein contained, and in consideration of the covenants herein contained, the purchase or guarantee of Notes by the guarantors or holders thereof, and other good and valuable consideration, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant a continuing security interest and lien in for the purposes hereinafter expressed, unto the Mortgagees all property, assets, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein OR ANY OTHER KIND OR NATURE, except any Excepted Property, now owned or hereafter acquired or arising by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following:

## GRANTING CLAUSE FIRST

- A. all of those fee and leasehold interests in real property set forth in Schedule "B" hereto, subject in each case to those matters set forth in such Schedule;

- B. all of the Mortgagor's interest in fixtures, easements, permits, licenses and rights-of-way comprising real property, and all other interests in real property, comprising any portion of the Utility System (as herein defined) located in the Counties listed in Schedule "B" hereto;
- C. all right, title and interest of the Mortgagor in and to those contracts of the Mortgagor
  - (i) relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Mortgagor,
  - (ii) for the purchase of electric power and energy by the Mortgagor and having an original term in excess of 3 years,
  - (iii) for the sale of electric power and energy by the Mortgagor and having an original term in excess of 3 years, and
  - (iv) for the transmission of electric power and energy by or on behalf of the Mortgagor and having an original term in excess of 3 years, including in respect of any of the foregoing, any amendments, supplements and replacements thereto;
- D. all the property, rights, privileges, allowances and franchises particularly described in the annexed Schedule "B" are hereby made a part of, and deemed to be described in, this Granting Clause as fully as if set forth in this Granting Clause at length; and

ALSO ALL OTHER PROPERTY, real estate, lands, easements, servitudes, licenses, permits, allowances, consents, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same; all power sites, storage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, waterways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electric and other forms of energy (whether now known or hereafter developed) by steam, water, sunlight, chemical processes and/or (without limitation) all other sources of power (whether now known or hereafter developed); all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto; all telephone, radio, television and other communications, image and data transmission systems, air conditioning systems and equipment incidental thereto, water wheels, waterworks, water systems, steam and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereto, all machinery, engines, boilers, dynamos, turbines, electric, gas and other machines, prime movers, regulators, meters, transformers, generators (including, but not limited to, engine-driven generators and turbo generator units), motors, electrical, gas and mechanical appliances, conduits, cables, water, steam, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, towers, overhead conductors and devices, underground conduits, underground conductors and devices, wires, cables, tools, implements, apparatus, storage battery equipment, and all other equipment, fixtures and personalty; all municipal and other franchises, consents, certificates or permits; all emissions allowances; all lines for the transmission and distribution of electric current and other forms of energy, gas, steam, water or communications, images and data for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith, and (except as hereinbefore or hereinafter expressly excepted) all the right, title and interest of the Mortgagor in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or employed in connection with any property hereinbefore described, but in all circumstances excluding Excepted Property;

#### GRANTING CLAUSE SECOND

With the exception of Excepted Property, all right, title and interest of the Mortgagor in, to and under all personal property and fixtures of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts, chattel

paper, electronic chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, any other contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently or hereinafter defined in the applicable UCC; provided, however that the term "instrument" shall be such term as defined in Article 9 of the applicable UCC rather than Article 3);

#### GRANTING CLAUSE THIRD

With the exception of Excepted Property, all right, title and interest of the Mortgagor in, to and under any and all agreements, leases or contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm or corporation relating to the Mortgaged Property (including contracts for the lease, occupancy or sale of the Mortgaged Property, or any portion thereof);

#### GRANTING CLAUSE FOURTH

With the exception of Excepted Property, all right title and interest of the Mortgagor in, to and under any and all books, records and correspondence relating to the Mortgaged Property, including, but not limited to all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Mortgaged Property;

#### GRANTING CLAUSE FIFTH

All other property, real, personal or mixed, of whatever kind and description and wheresoever situated, including without limitation goods, accounts, money held in a trust account pursuant hereto or to a loan agreement, and general intangibles now owned or which may be hereafter acquired by the Mortgagor, but excluding Excepted Property, now owned or which may be hereafter acquired by the Mortgagor, it being the intention hereof that all property, rights, privileges, allowances and franchises now owned by the Mortgagor or acquired by the Mortgagor after the date hereof (other than Excepted Property) shall be as fully embraced within and subjected to the lien hereof as if such property were specifically described herein;

#### GRANTING CLAUSE SIXTH

Also any Excepted Property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof by the Mortgagor or by anyone in its behalf; and any Mortgagee is hereby authorized to receive the same at any time as additional security hereunder for the benefit of all the Mortgagees. Such subjection to the lien hereof of any Excepted Property as additional security may be made subject to any reservations, limitations or conditions which shall be set forth in a written instrument executed by the Mortgagor or the person so acting in its behalf or by such Mortgagee respecting the use and disposition of such property or the proceeds thereof;

#### GRANTING CLAUSE SEVENTH

Together with (subject to the rights of the Mortgagor set forth in Section 5.01) all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and all the tolls, earnings, rents, issues, profits, revenues and other income, products and proceeds of the property subjected or required to be subjected to the lien of this Mortgage, and all other property of any nature appertaining to any of the plants, systems, business or operations of the Mortgagor, whether or not affixed to the realty, used in the operation of any of the premises or plants or the Utility System, or otherwise, which are now owned or acquired by the Mortgagor, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Mortgagor in and to the same

and every part thereof (other than Excepted Property with respect to any of the foregoing).

#### EXCEPTED PROPERTY

There is, however, expressly excepted and excluded from the lien and operation of this Mortgage the following described property of the Mortgagor, now owned or hereafter acquired (herein sometimes referred to as "Excepted Property"):

- A. all shares of stock, securities or other interests of the Mortgagor in the National Rural Utilities Cooperative Finance Corporation and CoBank, ACB and its predecessors in interest other than any stock, securities or other interests that are specifically described in Subclause D of Granting Clause First as being subjected to the lien hereof;
- B. all rolling stock (except mobile substations), automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment which are titled and/or registered in any state of the United States of America, and all tools, accessories and supplies used in connection with any of the foregoing;
- C. all vessels, boats, ships, barges and other marine equipment, all airplanes, airplane engines and other flight equipment, and all tools, accessories and supplies used in connection with any of the foregoing;
- D. all office furniture, equipment and supplies that is not data processing, accounting or other computer equipment or software;
- E. all leasehold interests for office purposes;
- F. all leasehold interests of the Mortgagor under leases for an original term (including any period for which the Mortgagor shall have a right of renewal) of less than five (5) years;
- G. all timber and crops (both growing and harvested) and all coal, ore, gas, oil and other minerals (both in place or severed);
- H. the last day of the term of each leasehold estate (oral or written) and any agreement therefor, now or hereafter enjoyed by the Mortgagor and whether falling within a general or specific description of property herein: PROVIDED, HOWEVER, that the Mortgagor covenants and agrees that it will hold each such last day in trust for the use and benefit of all of the Mortgagees and Noteholders and that it will dispose of each such last day from time to time in accordance with such written order as the Mortgagee in its discretion may give;
- I. all permits, licenses, franchises, contracts, agreements, contract rights and other rights not specifically subjected or required to be subjected to the lien hereof by the express provisions of this Mortgage, whether now owned or hereafter acquired by the Mortgagor, which by their terms or by reason of applicable law would become void or voidable if mortgaged or pledged hereunder by the Mortgagor, or which cannot be granted, conveyed, mortgaged, transferred or assigned by this Mortgage without the consent of other parties whose consent has been withheld, or without subjecting any Mortgagee to a liability not otherwise contemplated by the provisions of this Mortgage, or which otherwise may not be, hereby lawfully and effectively granted, conveyed, mortgaged, transferred and assigned by the Mortgagor; and
- J. the property identified in Schedule "C" hereto.

PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default, any Mortgagee, or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Mortgaged Property, all the Excepted Property described or referred to in the foregoing Subdivisions A through H, inclusive, then owned or thereafter acquired by the Mortgagor shall immediately, and, in the case of any Excepted Property described or referred to in Subdivisions I through J, inclusive, upon demand of

any Mortgagee or such receiver, become subject to the lien hereof to the extent permitted by law, and any Mortgagee or such receiver may, to the extent permitted by law, at the same time likewise take possession thereof, and (ii) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Mortgagor, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent and otherwise as hereinabove set forth.

However, pursuant to Granting Clause Sixth, the Mortgagor may subject to the lien of this Mortgage any Excepted Property, whereupon the same shall cease to be Excepted Property;

## HABENDUM

TO HAVE AND TO HOLD all said property, rights, privileges and franchises of every kind and description, real, personal or mixed, hereby and hereafter (by supplemental mortgage or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, encumbered, hypothecated, pledged, set over, confirmed, or subjected to a continuing security interest and lien as aforesaid, together with all the appurtenances thereto appertaining (said properties, rights, privileges and franchises, including any cash and securities hereafter deposited with any Mortgagee (other than any such cash, if any, which is specifically stated herein not to be deemed part of the Mortgaged Property), being herein collectively called the "Mortgaged Property") unto the Mortgagees and the respective assigns of the Mortgagees forever, to secure equally and ratably the payment of the principal of (and premium, if any) and interest on the Notes, according to their terms, without preference, priority or distinction as to interest or principal (except as otherwise specifically provided herein) or as to lien or otherwise of any Note over any other Note by reason of the priority in time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof, or otherwise, and to secure the due performance of all of the covenants, agreements and provisions herein and in the Loan Agreements contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

SUBJECT, HOWEVER, to Permitted Encumbrances (as defined in Section 1.01).

## ARTICLE I

### DEFINITIONS & OTHER PROVISIONS OF GENERAL APPLICATION

#### Section 1.01. Definitions.

In addition to the terms defined elsewhere in this Mortgage, the terms defined in this Article I shall have the meanings specified herein and under the UCC, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Accounting Requirements shall mean the requirements of any system of accounts prescribed by RUS so long as the Government is the holder, insurer or guarantor of any Notes, or, in the absence thereof, the requirements of generally accepted accounting principles applicable to businesses similar to that of the Mortgagor.

Additional Notes shall mean any Government Notes issued by the Mortgagor to the Government or guaranteed or insured as to payment by the Government and any Notes issued by the Mortgagor to any other lender, in either case pursuant to Article II of this Mortgage, including any refunding, renewal, or substitute Notes or Government Notes which may from time to time be executed and delivered by the Mortgagor pursuant to the terms of Article II.

Board shall mean either the Board of Directors or the Board of Trustees, as the case may be, of the Mortgagor.

**Business Day** shall mean any day that the Government is open for business.

**Debt Service Coverage Ratio ("DSC")** shall mean the ratio determined as follows: for each calendar year add

- (i) Patronage Capital or Margins of the Mortgagor,
- (ii) Interest Expense on Total Long Term Debt of the Mortgagor (as computed in accordance with the principles set forth in the definition of "TIER) and
- (iii) Depreciation and Amortization Expense of the Mortgagor, and divide the total so obtained by an amount equal to the sum of all payments of principal and interest required to be made on account of Total Long-Term Debt during such calendar year increasing said sum by any addition to interest expense on account of Restricted Rentals as computed with respect to the Times Interest Earned Ratio herein.

**Depreciation and Amortization Expense** shall mean an amount constituting the depreciation and amortization of the Mortgagor as computed pursuant to Accounting Requirements.

**Electric System** shall mean, and shall be broadly construed to encompass and include, all of the Mortgagor's interests in all electric production, transmission, distribution, conservation, load management, general plant and other related facilities, equipment or property and in any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, fabrication or processing of fossil, nuclear or other fuel of any kind or in any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the Mortgagor's generating plants, now existing or hereafter acquired by lease, contract, purchase or otherwise or constructed by the Mortgagor, including any interest or participation of the Mortgagor in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to such Electric System or any part thereof hereafter made and together with all lands, easements and rights-of-way of the Mortgagor and all other works, property or structures of the Mortgagor and contract rights and other tangible and intangible assets of the Mortgagor used or useful in connection with or related to such Electric System, including without limitation a contract right or other contractual arrangement referred to in Granting Clause First, Subclause C, but excluding any Excepted Property.

**Environmental Law and Environmental Laws** shall mean all federal, state, and local laws, regulations, and requirements related to protection of human health or the environment, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.), the Clean Water Act (33 U.S.C. 1251 et seq.) and the Clean Air Act (42 U.S.C. 7401 et seq.), and any amendments and implementing regulations of such acts.

**Equity** shall mean the total margins and equities computed pursuant to Accounting Requirements, but excluding any Regulatory Created Assets.

**Event of Default** shall have the meaning specified in Section 4.01 hereof.

**Excepted Property** shall have the meaning stated in the Granting Clauses.

**Government** shall mean the United States of America acting by and through the Administrator of RUS or REA and shall include its successors and assigns.

**Government Notes** shall mean the Original Notes, and any Additional Notes, issued by the

Mortgagor to the Government, or guaranteed or insured as to payment by the Government.

**Independent** shall mean when used with respect to any specified person or entity means such a person or entity who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Mortgagor or in any affiliate of the Mortgagor and (3) is not connected with the Mortgagor as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

**Interest Expense** shall mean an amount constituting the interest expense of the Mortgagor as computed pursuant to Accounting Requirements.

**Lien** shall mean any statutory or common law or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the UCC.

**Loan Agreement** shall mean any agreement executed by and between the Mortgagor and the Government or any other lender in connection with the execution and delivery of any Notes secured hereby.

**Long-Term Debt** shall mean any amount included in Total Long-Term Debt pursuant to Accounting Requirements.

**Long-Term Lease** shall mean a lease having an unexpired term (taking into account terms of renewal at the option of the lessor, whether or not such lease has previously been renewed) of more than 12 months.

**Margins** shall mean the sum of amounts recorded as operating margins and non-operating margins as computed in accordance with Accounting Requirements.

**Maximum Debt Limit**, if any, shall mean the amount more particularly described in Schedule "A" hereof.

**Mortgage** shall mean this Restated Mortgage and Security Agreement, including any amendments or supplements thereto from time to time.

**Mortgaged Property** shall have the meaning specified as stated in the Habendum to the Granting Clauses.

**Mortgagee or Mortgagees** shall mean the parties identified in the first paragraph of this instrument as the Mortgagees, as well as any and all other entities that become a Mortgagee pursuant to Article II of this Mortgage by entering into a supplemental mortgage in accordance with Section 2.04 of Article II hereof. The term also includes in all cases the successors and assigns of any Mortgagee.

**Net Utility Plant** shall mean the amount constituting the total utility plant of the Mortgagor less depreciation computed in accordance with Accounting Requirements.

**Note or Notes** shall mean one or more of the Government Notes, and any other Notes which may, from time to time, be secured under this Mortgage.

**Noteholder or Noteholders** shall mean one or more of the holders of Notes secured by this Mortgage; PROVIDED, however, that in the case of any Notes that have been guaranteed or

insured as to payment by the Government, as to such Notes, Noteholder or Noteholders shall mean the Government, exclusively, regardless of whether such Notes are in the possession of the Government.

**Original Mortgage** means the instrument(s) identified as such in Schedule "A" hereof.

**Original Notes** shall mean the Notes listed on Schedule "A" hereto as such, such Notes being instruments evidencing outstanding indebtedness of the Mortgagor (i) to the Government (including indebtedness which has been issued by the Mortgagor to a third party and guaranteed or insured as to payment by the Government) and (ii) to each other Mortgagee on the date of this Mortgage.

**Outstanding Notes** shall mean as of the date of determination, (i) all Notes theretofore issued, executed and delivered to any Mortgagee and (ii) any Notes guaranteed or insured as to payment by the Government, except (a) Notes referred to in clause (i) or (ii) for which the principal and interest have been fully paid and which have been canceled by the Noteholder, and (b) Notes the payment for which has been provided for pursuant to Section 5.03.

**Permitted Debt** shall have the meaning specified in Section 3.08.

**Permitted Encumbrances** shall mean:

- (1) as to the property specifically described in Granting Clause First, the restrictions, exceptions, reservations, conditions, limitations, interests and other matters which are set forth or referred to in such descriptions and each of which fits one or more of the clauses of this definition, PROVIDED, such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;
- (2) liens for taxes, assessments and other governmental charges which are not delinquent;
- (3) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (4) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (5) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (6) easements and similar rights granted by the Mortgagor over or in respect of any Mortgaged Property, PROVIDED that in the opinion of the Board or a duly authorized officer of the Mortgagor such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagees, and similar rights granted by any predecessor in title of the Mortgagor;
- (7) easements, leases, reservations or other rights of others in any property of the Mortgagor for



streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against pollution and zoning laws and minor defects and irregularities in the record evidence of title, PROVIDED that such easements, leases, reservations, rights, restrictions, laws, defects and irregularities do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;

- (8) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (7) of this definition, securing indebtedness neither created, assumed nor guaranteed by the Mortgagor nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;
- (9) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagees in writing and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;
- (10) terminable or short term leases or permits for occupancy, which leases or permits expressly grant to the Mortgagor the right to terminate them at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;
- (11) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (12) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
- (13) the burdens of any law or governmental regulation or permit requiring the Mortgagor to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public lands or any river or stream or navigable waters;
- (14) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes, PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or are to be used, or PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;
- (15) rights reserved to, or vested in, any municipality or governmental or other public authority to control or regulate any property of the Mortgagor, or to use such property in any manner, which rights do not materially impair the use of such property, for the purposes for which it is held by the Mortgagor;
- (16) any obligations or duties, affecting the property of the Mortgagor, to any municipality or governmental or other public authority with respect to any franchise, grant, license or permit;

- (17) any right which any municipal or governmental authority may have by virtue of any franchise, license, contract or statute to purchase, or designate a purchaser of or order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor or to terminate any franchise, license or other rights or to regulate the property and business of the Mortgagor; PROVIDED, HOWEVER, that nothing in this clause 17 is intended to waive any claim or rights that the Government may otherwise have under Federal laws;
- (18) as to properties of other operating electric companies acquired after the date of this Mortgage by the Mortgagor as permitted by Section 3.10 hereof, reservations and other matters as to which such properties may be subject as more fully set forth in such Section;
- (19) any lien required by law or governmental regulations as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements; PROVIDED, HOWEVER, that nothing in this clause 19 is intended to waive any claim or rights that the Government may otherwise have under Federal laws;
- (20) liens arising out of any defeased mortgage or indenture of the Mortgagor;
- (21) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor as well as the rights of such owners to such property pursuant to the ownership contracts;
- (22) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (23) purchase money mortgages permitted by Section 3.08;
- (24) the Original Mortgage;
- (25) this Mortgage.

**Property Additions** shall mean Utility System property as to which the Mortgagor shall provide Title Evidence and which shall be (or, if retired, shall have been) subject to the lien of this Mortgage, which shall be properly chargeable to the Mortgagor's utility plant accounts under Accounting Requirements (including property constructed or acquired to replace retired property credited to such accounts) and which shall be:

- (1) acquired (including acquisition by merger, consolidation, conveyance or transfer) or constructed by the Mortgagor after the date hereof, including property in the process of construction, insofar as not reflected on the books of the Mortgagor with respect to periods on or prior to the date hereof, and
- (2) used or useful in the utility business of the Mortgagor conducted with the properties described in the Granting Clauses of this Mortgage, even though separate from and not physically connected with such properties.

"Property Additions" shall also include:

- (3) easements and rights-of-way that are useful for the conduct of the utility business of the Mortgagor, and
- (4) property located or constructed on, over or under public highways, rivers or other public property if the Mortgagor has the lawful right under permits, licenses or franchises granted by a governmental body having jurisdiction in the premises or by the law of the State in which such property is located to maintain and operate such property for an unlimited, indeterminate or indefinite period or for the period, if any, specified in such permit, license or franchise or law and to remove such property at the expiration of the period covered by such permit, license or franchise or law, or if the terms of such permit, license, franchise or law require any public authority having the right to take over such property to pay fair consideration therefor.

"Property Additions" shall NOT include:

- (a) good will, going concern value, contracts, agreements, franchises, licenses or permits, whether acquired as such, separate and distinct from the property operated in connection therewith, or acquired as an incident thereto, or
- (b) any shares of stock or indebtedness or certificates or evidences of interest therein or other securities, or
- (c) any plant or system or other property in which the Mortgagor shall acquire only a leasehold interest, or any betterments, extensions, improvements or additions (other than movable physical personal property which the Mortgagor has the right to remove), of, upon or to any plant or system or other property in which the Mortgagor shall own only a leasehold interest unless (i) the term of the leasehold interest in the property to which such betterment, extension, improvement or addition relates shall extend for at least 75% of the useful life of such betterment, extension, improvement or addition and (ii) the lessor shall have agreed to give the Mortgagee reasonable notice and opportunity to cure any default by the Mortgagor under such lease and not to disturb any Mortgagee's possession of such leasehold estate in the event any Mortgagee succeeds to the Mortgagor's interest in such lease upon any Mortgagee's exercise of any remedies under this Mortgage so long as there is no default in the performance of the tenant's covenants contained therein, or
- (d) any property of the Mortgagor subject to the Permitted Encumbrance described in clause (23) of the definition thereof.

**Prudent Utility Practice** shall mean any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety and expedition.

**REA** shall mean the Rural Electrification Administration of the United States Department of

Agriculture, the predecessor of RUS.

**Regulatory Created Assets** shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets, pursuant to Accounting Requirements.

**Restricted Rentals** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of 3 years and covering property having an initial cost in excess of \$250,000 other than aircraft, ships, barges, automobiles, trucks, trailers, rolling stock and vehicles; office, garage and warehouse space; office equipment and computers.

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

**Security Interest** shall mean any assignment, transfer, mortgage, hypothecation or pledge.

**Subordinated Indebtedness** shall mean secured indebtedness of the Mortgagor, payment of which shall be subordinated to the prior payment of the Notes in accordance with the provisions of Section 3.08 hereof by subordination agreement in form and substance satisfactory to each Mortgagee which approval will not be unreasonably withheld.

**Supplemental Mortgage** shall mean an instrument of the type described in Section 2.04.

**Times Interest Earned Ratio ("TIER")** shall mean the ratio determined as follows: for each calendar year: add (i) patronage capital or margins of the Mortgagor and (ii) Interest Expense on Total Long-Term Debt of the Mortgagor and divide the total so obtained by Interest Expense on Total Long-Term Debt of the Mortgagor, provided, however, that in computing Interest Expense on Total Long-Term Debt, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of Restricted Rentals paid by the Mortgagor over 2% of the Mortgagor's Equity.

**Title Evidence** shall mean with respect to any real property:

- (1) an opinion of counsel to the effect that the Mortgagor has title, whether fairly deducible of record or based upon prescriptive rights (or, as to personal property, based on such evidence as counsel shall determine to be sufficient), as in the opinion of counsel is satisfactory for the use thereof in connection with the operations of the Mortgagor, and counsel in giving such opinion may disregard any irregularity or deficiency in the record evidence of title which, in the opinion of such counsel, can be cured by proceedings within the power of the Mortgagor or does not substantially impair the usefulness of such property for the purpose of the Mortgagor and may base such opinion upon counsel's own investigation or upon affidavits, certificates, abstracts of title, statements or investigations made by persons in whom such counsel has confidence or upon examination of a certificate or guaranty of title or policy of title insurance in which counsel has confidence; or

- (2) a mortgagee's policy of title insurance in the amount of the cost to the Mortgagor of the land included in Property Additions, as such cost is determined by the Mortgagor in accordance with the Accounting Requirements, issued in favor of the Mortgagees by an entity authorized to insure title in the states where the subject property is located, showing the Mortgagor as the owner of the subject property and insuring the lien of this Mortgage; and with respect to any personal property a certificate of the general manager or other duly authorized officer that the Mortgagor lawfully owns and is possessed of such property.

**Total Assets** shall mean an amount constituting total assets of the Mortgagor as computed pursuant to Accounting Requirements, but excluding any Regulatory Created Assets.

**Total Long-Term Debt** shall mean the total outstanding long-term debt of the Mortgagor as computed pursuant to Accounting Requirements.

**Total Utility Plant** shall mean the total of all property properly recorded in the utility plant accounts of the Mortgagor, pursuant to Accounting Requirements.

**Uniform Commercial Code or UCC** shall mean the UCC of the state referred to in Section 1.04, and if Mortgaged Property is located in a state other than that state, then as to such Mortgaged Property UCC refers to the UCC in effect in the state where such property is located.

**Utility System** shall mean the Electric System and all of the Mortgagor's interest in community infrastructure located substantially within its electric service territory, namely water and waste systems, solid waste disposal facilities, telecommunications and other electronic communications systems, and natural gas distribution systems.

**Section 1.02. General Rules of Construction:**

- a. Accounting terms not defined in Section 1.01 are used in this Mortgage in their ordinary sense and any computations relating to such terms shall be computed in accordance with the Accounting Requirements.
- b. Any reference to "directors" or "board of directors" shall be deemed to mean "trustees" or "board of trustees," as the case may be.

**Section 1.03. Special Rules of Construction if RUS is a Mortgagee:**

During any period that RUS is a Mortgagee, the following additional provisions shall apply:

- a. In the case of any Notes that have been guaranteed or insured as to payment by RUS, as to such Notes RUS shall be considered to be the Noteholder, exclusively, regardless of whether such Notes are in the possession of RUS.
- b. In the case of any prior approval rights conferred upon RUS by Federal statutes, including (without limitation) Section 7 of the Rural Electrification Act of 1936, as amended, with respect to the sale or disposition of property, rights, or franchises of the Mortgagor, all such statutory rights are reserved except to the extent that they are expressly modified or waived in this Mortgage.

**Section 1.04. Governing Law:**

This Mortgage shall be construed in and governed by Federal law to the extent applicable, and otherwise by the laws of the state listed on Schedule "A" hereto.

**Section 1.05 Notices:**

All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if sent by registered or certified mail, postage prepaid, or delivered by hand, or sent by facsimile transmission, receipt confirmed, addressed to the proper party or parties at the addresses listed on Schedule "A" hereto, and as to any other person, firm, corporation or governmental body or agency having an interest herein by reason of being a Mortgagee, at the last address designated by such person, firm, corporation, governmental body or agency to the Mortgagor and the other Mortgagees. Any such party may from time to time designate to each other a new address to which demands, notices, reports, approvals, designations or directions may be addressed, and from and after any such designation the address designated shall be deemed to be the address of such party in lieu of the address given above.

**ARTICLE II**

**ADDITIONAL NOTES**

**Section 2.01. Additional Notes:**

- (a) Without the prior consent of any Mortgagee or any Noteholder, the Mortgagor may issue Additional Notes to the Government or to another lender or lenders for the purpose of acquiring, procuring or constructing new or replacement Eligible Property Additions and such Additional Notes will thereupon be secured equally and ratably with the Notes if each of the following requirements are satisfied:
  - (1) As evidenced by a certificate of an Independent certified public accountant sent to each Mortgagee on or before the first advance of proceeds from such Additional Notes:
    - (i) The Mortgagor shall have achieved for each of the two calendar years immediately preceding the issuance of such Additional Notes, a TIER of not less than 1.25 and a DSC of not less than 1.25;
    - (ii) After taking into account the effect of such Additional Notes on the Total Long Term Debt of the Mortgagor, the ratio of the Mortgagor's Net Utility Plant to its Total Long Term Debt shall be greater than or equal to 1.0 on a pro forma basis;
    - (iii) After taking into account the effect of such Additional Notes on the Total Assets of such Mortgagor, the Mortgagor shall have Equity greater than or equal to 27 percent of Total Assets on a pro forma basis; and
    - (iv) The sum of the aggregate principal amount of such Additional Notes (if any) that are not related to the Electric System if added to the

aggregate outstanding principal amount of all the existing Notes (if any) that are not related to the Electric System will not exceed 30% of the Mortgagor's Equity on a pro forma basis.

- (2) No Event of Default has occurred and is continuing hereunder, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing.
  - (3) The Eligible Property Additions being constructed, acquired, procured or replaced are part of the Mortgagor's Utility System.
  - (4) The Mortgagor's general manager or other duly authorized officer shall send to each of the Mortgagees a certificate in substantially the form attached hereto as Exhibit A on or before the date of the first advance of proceeds from such Additional Notes.
- (b) For purposes of this section:
- (1) "Eligible Property Additions" shall mean Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of the Additional Notes and Property Additions acquired or whose construction is started and/or completed not more than 4 years after issuance of the Additional Notes, but shall exclude any Property Additions financed by any other debt secured under the Mortgage at the time additional Notes are issued;
  - (2) Notes are considered to be "issued" on, and the date of "issuance" shall be, the date on which they are executed by the Mortgagor; and
  - (3) For purposes of calculating the pro forma ratios in subparagraphs (a)(1)(ii) and (iii), the values for Total Long Term Debt and Total Assets before debt issuance and the values for Equity and Net Utility Plant shall be the most recently available end-of-month figures preceding the issuance of the Additional Notes, but in no case for a month ending more than 180 days preceding such issuance.

#### **Section 2.02. Refunding or Refinancing Notes:**

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

**Section 2.03. Other Additional Notes:**

With the prior written consent of each Mortgagee, the Mortgagor may issue Additional Notes to the Government or any lender or lenders, which Notes will thereupon be secured equally and ratably with Notes without regard to whether any of the requirements of Sections 2.01 or 2.02 are satisfied.

**Section 2.04. Additional Lenders Entitled to the Benefit of This Mortgage:**

Without the prior consent of any Mortgagee or any Noteholder, each new lender designated as a payee in any Additional Notes issued by the Mortgagor pursuant to Section 2.01 or 2.02 of this Mortgage shall become a Mortgagee hereunder upon the execution and delivery by the Mortgagor and such lender of a supplemental mortgage hereto designating such lender as a Mortgagee hereunder. Such new lender shall be entitled to the benefits of this Mortgage without further act or deed. Each Mortgagee and each person or entity that becomes a lender pursuant to Section 2.01 or 2.02 of this Mortgage shall, upon the request of the Mortgagor to do so, execute and deliver a supplement to this Mortgage in substantially the form set forth in Section 2.05 to evidence the addition of such new lender as an additional Mortgagee entitled to the benefits of this Mortgage. The failure of any existing Mortgagee to enter into such supplemental mortgage shall not deprive the new lender of its rights under this Mortgage; provided that such additional indebtedness otherwise conforms in all respects with the requirements for issuing Additional Notes under this Mortgage.

**Section 2.05. Form of Supplemental Mortgage:**

- (a) The form of supplemental mortgage referred to in Section 2.04 is attached to this Mortgage as Exhibit B and hereby incorporated by reference as if set forth in full at this point.
- (b) In the event that the Mortgagor subsequently issues Additional Notes pursuant to Sections 2.01 or 2.02 to any existing Mortgagee and that Mortgagee desires further assurance that such Additional Notes will be secured by the lien of the Mortgage, an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may be used.
- (c) In the event that the Mortgagor issues Additional Notes pursuant to Section 2.03 to either an existing Mortgagee or a new lender, in either case with the prior written consent of each Mortgagee, then an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may also be used.

**ARTICLE III**

**PARTICULAR COVENANTS OF THE MORTGAGOR**

**Section 3.01. Payment of Debt Service on Notes:**

The Mortgagor will duly and punctually pay the principal, premium, if any, and interest on the Notes in accordance with the terms of the Notes, the Loan Agreements, this Mortgage and any Supplemental Mortgage authorizing such Notes.



**Section 3.02. Warranty of Title:**

- (a) At the time of the execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the real property specifically described in Granting Clause First as owned in fee and good and marketable title to the interests in real property specifically described in Granting Clause First, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to grant, bargain, sell, alien, remise, release, convey, assign, transfer, encumber, mortgage, pledge, set over and confirm said real property and interests in real property in the manner and form aforesaid.
- (b) At the time of the execution and delivery of this instrument, the Mortgagor lawfully owns and is possessed of the personal property specifically described in Granting Clauses First through Seventh, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to mortgage, assign, transfer, deliver, pledge and grant a continuing security interest in said property and, including any proceeds thereof, in the manner and form aforesaid.
- (c) The Mortgagor hereby does and will forever warrant and defend the title to the property specifically described in Granting Clause First against the claims and demands of all persons whomsoever, except Permitted Encumbrances.

**Section 3.03. After-Acquired Property; Further Assurances; Recording:**

- (a) All property of every kind, other than Excepted Property, acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance or assignment, become subject to the lien of this Mortgage; SUBJECT, HOWEVER, to Permitted Encumbrances and the exceptions, if any, to which all of the Mortgagees consent. Nevertheless, the Mortgagor will do, execute, acknowledge and deliver all and every such further acts, conveyances, mortgages, financing statements and assurances as any Mortgagee shall require for accomplishing the purposes of this Mortgage, including, but not limited to, at the request of any Mortgagee, taking such actions and executing and delivering such documents as are necessary under the Uniform Commercial Code or other applicable law to perfect or establish the Mortgagees' first priority security interests in any Mortgaged Property to the extent that such perfection or priority cannot be accomplished by the filing of a financing statement.
- (b) The Mortgagor will cause this Mortgage and all Supplemental Mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and in such places as may be required by law fully to preserve and protect the rights of all of the Mortgagees and Noteholders hereunder to all property comprising the Mortgaged Property. The Mortgagor will furnish to each Mortgagee:
  - (1) promptly after the execution and delivery of this instrument and of each Supplemental Mortgage or other instrument of further assurance, an Opinion of Counsel stating that, in the opinion of such Counsel, this instrument and all such Supplemental Mortgages and other instruments of further assurance have been properly recorded, registered and filed to the extent necessary to make effective the lien intended to be created by this Mortgage, and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to

preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to make the lien effective; and

- (2) during the month of January in each year following the first anniversary of the date of this Mortgage, an Opinion of Counsel, dated on or about the date of delivery, either stating that, in the opinion of such Counsel, such action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of this instrument and of all Supplemental Mortgages, financing statements, continuation statements or other instruments of further assurances as is necessary to maintain the lien of this Mortgage (including the lien on any property acquired by the Mortgagor after the execution and delivery of this instrument and owned by the Mortgagor at the end of preceding calendar year) and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary to fully preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to maintain such lien.

**Section 3.04. Environmental Requirements and Indemnity:**

- (a) The Mortgagor shall, with respect to all facilities which may be part of the Mortgaged Property, comply with all Environmental Laws.
- (b) The Mortgagor shall defend, indemnify, and hold harmless each Mortgagee, its successors and assigns, from and against any and all liabilities, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), causes of actions, administrative proceedings, suits, claims, demands, or judgments of any nature arising out of or in connection with any matter related to the Mortgage Property and any Environmental Law, including but not limited to:
  - (1) the past, present, or future presence of any hazardous substance, contaminant, pollutant, or hazardous waste on or related to the Mortgaged Property;
  - (2) any failure at any time by the undersigned to comply with the terms of any order related to the Mortgaged Property and issued by any Federal, state, or municipal department or agency (other than RUS) exercising its authority to enforce any Environmental Law; and
  - (3) any lien or claim imposed under any Environmental Law related to clause (1).
- (c) Within 10 (ten) business days after receiving knowledge of any liability, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), cause of action, administrative proceeding, suit, claim, demand, judgment, lien, reportable event including but not limited to the release of a hazardous substance, or potential or actual violation or non-compliance arising out of or in connection with the Mortgaged Property and any Environmental Law, the Mortgagor shall provide each Mortgagee with written notice of such matter. With respect to any matter upon which it has provided such notice, the Mortgagor shall immediately take any and all appropriate actions to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**Section 3.05. Payment of Taxes:**

The Mortgagor will pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Mortgaged Property or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Noteholders or of the Mortgagees in the Mortgaged Property, so that (to the extent aforesaid) the lien of this Mortgage shall at all times be wholly preserved at the cost of the Mortgagor and without expense to the Mortgagees or the Noteholders; PROVIDED, HOWEVER, that the Mortgagor shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the Mortgagor shall have established and shall maintain adequate reserves on its books for the payment of the same.

**Section 3.06. Authority to Execute and Deliver Notes, Loan Agreements and Mortgage; All Action Taken; Enforceable Obligations:**

The Mortgagor is authorized under its articles of incorporation and bylaws (or code of regulations) and all applicable laws and by corporate action to execute and deliver the Notes, any Additional Notes, the Loan Agreements and this Mortgage. The Notes, the Loan Agreements and this Mortgage are, and any Additional Notes and Loan Agreements when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

**Section 3.07. Restrictions on Further Encumbrances on Property:**

Except to secure Additional Notes, the Mortgagor will not, without the prior written consent of each Mortgagee, create or incur or suffer or permit to be created or incurred or to exist any Lien, charge, assignment, pledge or mortgage on any of the Mortgaged Property inferior to, prior to, or on a parity with the Lien of this Mortgage except for the Permitted Encumbrances. Subject to the provisions of Section 3.08, or unless approved by each of the Mortgagees, the Mortgagor will purchase all materials, equipment and replacements to be incorporated in or used in connection with the Mortgaged Property outright and not subject to any conditional sales agreement, chattel mortgage, bailment, lease or other agreement reserving to the seller any right, title or Lien.

**Section 3.08. Restrictions On Additional Permitted Debt:**

The Mortgagor shall not incur, assume, guarantee or otherwise become liable in respect of any debt for borrowed money and Restricted Rentals (including Subordinated Debt) other than the following: ("Permitted Debt")

- (1) Additional Notes issued in compliance with Article II hereof;
- (2) Purchase money indebtedness in non-Utility System property, in an amount not exceeding 10% of Net Utility Plant;
- (3) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (4) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;

- (5) Unsecured indebtedness for borrowed money;
- (6) Debt represented by dividends declared but not paid; and
- (7) Subordinated Indebtedness approved by each Mortgagee.

PROVIDED, However, that the Mortgagor may incur Permitted Debt without the consent of the Mortgagee 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 Mortgage any consent of RUS that the Mortgagor 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 existing Federal laws or government regulations.

**Section 3.09. Preservation of Corporate Existence and Franchises:**

The Mortgagor will, so long as any Outstanding Notes exist, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits, and licenses now or hereafter to be granted or upon it conferred the loss of which would have a material adverse affect on the Mortgagor's financial condition or business. The Mortgagor will comply with all laws, ordinances, regulations, orders, decrees and other legal requirements applicable to it or its property the violation of which could have a material adverse affect on the Mortgagor's financial condition or business.

**Section 3.10. Limitations on Consolidations and Mergers:**

The Mortgagor shall not, without the prior written approval of each Mortgagee, consolidate or merge with any other corporation or convey or transfer the Mortgaged Property substantially as an entirety unless:

- (1) such consolidation, merger, conveyance or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Mortgagees hereunder;
- (2) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall execute and deliver to the Mortgagees a mortgage supplemental hereto in recordable form and containing an assumption by such successor entity of the due and punctual payment of the principal of and interest on all of the Outstanding Notes and the performance and observance of every covenant and condition of this Mortgage;
- (3) immediately after giving effect to such transaction, no default hereunder shall have occurred and be continuing;
- (4) the Mortgagor shall have delivered to the Mortgagees a certificate of its general manager or other officer, in form and substance satisfactory to each of the Mortgagees, which shall state that such consolidation, merger, conveyance or transfer and such supplemental mortgage comply with this subsection and that all conditions precedent herein provided for relating to such transaction have been complied with;

- (5) the Mortgagor shall have delivered to the Mortgagees an opinion of counsel in form and substance satisfactory to each of the Mortgagees; and
- (6) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall be an entity -
  - (A) having Equity equal to at least 27% of its Total Assets on a pro forma basis after giving effect to such transaction,
  - (B) having a pro forma TIER of not less than 1.25 and a pro forma DSC of not less than 1.25 for each of the two preceding calendar years, and
  - (C) having Net Utility Plant equal to or greater than 1.0 times its Total Long-Term Debt on a pro forma basis. Upon any consolidation or merger or any conveyance or transfer of the Mortgaged Property substantially as an entirety in accordance with this subsection, the successor entity formed by such consolidation or with which the Mortgagor is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Mortgagor under this Mortgage with the same effect as if such successor entity had been named as the Mortgagor herein.

**Section 3.11. Limitations on Transfers of Property:**

The Mortgagor may not, except as provided in Section 3.10 above, without the prior written approval of each Mortgagee, sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor), unless

- (1) there exists no Event of Default or occurrence which with the passing of time and the giving of notice would be an Event of Default,
- (2) fair market value is obtained for such property,
- (3) the aggregate value of assets so sold, leased or transferred in any 12-month period is less than 10% of Net Utility Plant, and
- (4) the proceeds of such sale, lease or transfer, less ordinary and reasonable expenses incident to such transaction, are immediately
  - (i) applied as a prepayment of all Notes equally and ratably,
  - (ii) in the case of dispositions of equipment, materials or scrap, applied to the purchase of other property useful in the Mortgagor's utility business, not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the Lien of the Mortgage, or
  - (iii) applied to the acquisition or construction of utility plant.

**Section 3.12. Maintenance of Mortgaged Property:**

- (a) So long as the Mortgagor holds title to the Mortgaged Property, the Mortgagor will at all times maintain and preserve the Mortgaged Property which is used or useful in the

Mortgagor's business and each and every part and parcel thereof in good repair, working order and condition, ordinary wear and tear and acts of God excepted, and in compliance with Prudent Utility Practice and in compliance with all applicable laws, regulations and orders, and will from time to time make all needed and proper repairs, renewals and replacements, and useful and proper alterations, additions, betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times use all reasonable diligence to furnish the consumers served by it through the Mortgaged Property, or any part thereof, with an adequate supply of electric power and energy. If any substantial part of the Mortgaged Property is leased by the Mortgagor to any other party, the lease agreement between the Mortgagor and the lessee shall obligate the lessee to comply with the provisions of subsections (a) and (b) of this Section in respect of the leased facilities and to permit the Mortgagor to operate the leased facilities in the event of any failure by the lessee to so comply.

- (b) If in the sole judgment of any Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this section, such Mortgagee may send to the Mortgagor a written report of needed improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such improvements.
- (c) The Mortgagor further agrees that upon reasonable written request of any Mortgagee, which request together with the requests of any other Mortgagees shall be made no more frequently than once every three years, the Mortgagor will supply promptly to each Mortgagee a certification (hereinafter called the "Engineer's Certification"), in form satisfactory to the requestor, prepared by a professional engineer, who shall be satisfactory to the Mortgagees, as to the condition of the Mortgaged Property. If in the sole judgment of any Mortgagee the Engineer's Certification discloses the need for improvements to the condition of the Mortgaged Property or any other operations of the Mortgagor, such Mortgagee may send to the Mortgagor a written report of such improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such of these improvements as are required by such Mortgagee.

**Section 3.13. Insurance; Restoration of Damaged Mortgaged Property:**

- (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the classes and amounts of insurance in conformance with generally accepted utility industry standards for such classes and amounts of coverages of utilities of the size and character of the Mortgagor and consistent with Prudent Utility Practice.
- (b) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities having jurisdiction, and, with respect to insurance upon any part of the Mortgaged Property, shall provide that the insurance shall be payable to the Mortgagees as their interests may appear by means of the standard mortgagee clause without contribution. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to each Mortgagee of cancellation.
- (c) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which is used or useful in the Mortgagor's business and which shall be covered by insurance, unless each Mortgagee shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that such Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss,

and shall apply the proceeds of the insurance for that purpose. The Mortgagor shall replace the lost portion of such Mortgaged Property or shall commence such restoration promptly after such damage, destruction or loss shall have occurred and shall complete such replacement or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith.

- (d) Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by any Mortgagee or any Noteholder for any loss under such policy or bond shall, unless applied as provided in the preceding paragraph, be used to finance construction of utility plant secured or to be secured by this Mortgage, or unless otherwise directed by the Mortgagees, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such Notes and installments thereof as may be designated by the respective Mortgagee at the time of any such prepayment), or be used to construct or acquire utility plant which will become part of the Mortgaged Property. At the request of any Mortgagee, the Mortgagor shall exercise such rights and remedies which they may have under such policy or fidelity bond and which may be designated by such Mortgagee, and the Mortgagor hereby irrevocably appoints each Mortgagee as its agent to exercise such rights and remedies under such policy or bond as such Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

**Section 3.14. Mortgagee Right to Expend Money to Protect Mortgaged Property:**

The Mortgagor agrees that any Mortgagee from time to time hereunder may, in its sole discretion, after having given 5 Business Days prior written notice to the Mortgagor, but shall not be obligated to, advance funds on behalf of the Mortgagor, in order to insure the Mortgagor's compliance with any covenant, warranty, representation or agreement of the Mortgagor made in or pursuant to this Mortgage or any of the Loan Agreements, to preserve or protect any right or interest of the Mortgagees in the Mortgaged Property or under or pursuant to this Mortgage or any of the Loan Agreements, including without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Mortgaged Property or other property or assets of the Mortgagor; provided, however, that the making of any such advance by or through any Mortgagee shall not constitute a waiver by any Mortgagee of any Event of Default with respect to which such advance is made nor relieve the Mortgagor of any such Event of Default. The Mortgagor shall pay to a Mortgagee upon demand all such advances made by such Mortgagee with interest thereon at a rate equal to that on the Note having the highest interest rate but in no event shall such rate be in excess of the maximum rate permitted by applicable law. All such advances shall be included in the obligations and secured by the security interest granted hereunder.

**Section 3.15. Time Extensions for Payment of Notes:**

Any Mortgagee may, at any time or times in succession without notice to or the consent of the Mortgagor, or any other Mortgagee, and upon such terms as such Mortgagee may prescribe, grant to any person, firm or corporation who shall have become obligated to pay all or any part of the principal of (and premium, if any) or interest on any Note held by or indebtedness owed to such Mortgagee or who may be affected by the lien hereby created, an extension of the time for the payment of such principal, (and premium, if any) or interest, and after any such extension the Mortgagor will remain liable for the payment of such Note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

**Section 3.16. Application of Proceeds from Condemnation:**

- (a) In the event that the Mortgaged Property or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom may be used to finance construction of utility plant secured or to be secured by this Mortgage. Any proceeds not so used shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness secured by this Mortgage other than principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes, to such installments thereof as may be designated by the respective Mortgagee at the time of any such payment; and fourth, the balance shall be paid to whomsoever shall be entitled thereto.
- (b) If any part of the Mortgaged Property shall be taken by eminent domain, each Mortgagee shall release the property so taken from the Mortgaged Property and shall be fully protected in so doing upon being furnished with:
  - (1) A certificate of a duly authorized officer of the Mortgagor requesting such release, describing the property to be released and stating that such property has been taken by eminent domain and that all conditions precedent herein provided or relating to such release have been complied with, and
  - (2) an opinion of counsel to the effect that such property has been lawfully taken by exercise of the right of eminent domain, that the award for such property so taken has become final and that all conditions precedent herein provided for relating to such release have been complied with.

**Section 3.17. Compliance with Loan Agreements; Notice of Amendments to and Defaults under Loan Agreements:**

The Mortgagor will observe and perform all of the material covenants, agreements, terms and conditions contained in any Loan Agreement entered into in connection with the issuance of any of the Notes, as from time to time amended. The Mortgagor will send promptly to each Mortgagee notice of any default by the Mortgagor under any Loan Agreement and notice of any amendment to any Loan Agreement. Upon request of any Mortgagee, the Mortgagor will furnish to such Mortgagee single copies of such Loan Agreements and amendments thereto as such Mortgagee may request.

**Section 3.18. Rights of Way, etc., Necessary in Business:**

The Mortgagor will use its best efforts to obtain all such rights of way, easements from landowners and releases from lienors as shall be necessary or advisable in the conduct of its business, and, if requested by any Mortgagee, deliver to such Mortgagee evidence satisfactory to such Mortgagee of the obtaining of such rights of way, easements or releases.

**Section 3.19. Limitations on Providing Free Electric Services:**

The Mortgagor will not furnish or supply or cause to be furnished or supplied any electric power, energy or capacity free of charge to any person, firm or corporation, public or private, and the Mortgagor will enforce the payment of any and all amounts owing to the Mortgagor by reason of the ownership and operation of the Utility System by discontinuing such use, output, capacity, or service, or by filing suit therefor within 90 days after any such accounts are due, or by both such discontinuance and by filing suit.



**Section 3.20. Keeping Books; Inspection by Mortgagee:**

The Mortgagor will keep proper books, records and accounts, in which full and correct entries shall be made of all dealings or transactions of or in relation to the Notes and the Utility System, properties, business and affairs of the Mortgagor in accordance with the Accounting Requirements. The Mortgagor will at any and all times, upon the written request of any Mortgagee and at the expense of the Mortgagor, permit such Mortgagee by its representatives to inspect the Utility System and properties, books of account, records, reports and other papers of the Mortgagor and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the Mortgagor will furnish to each Mortgagee any and all such information as such Mortgagee may request, with respect to the performance by the Mortgagor of its covenants under this Mortgage, the Notes and the Loan Agreements.

**Section 3.21. Maximum Debt Limit:**

The Notes at any one time secured by this Mortgage shall not in the aggregate principal amount exceed the Maximum Debt Limit.

**Section 3.22. Authorization to File Financing Statements:**

The Mortgagor hereby irrevocably authorizes the Mortgagee at any time and from time to time to file in any jurisdiction any initial financing statements and amendments thereto that:

- (a) Indicate the Mortgaged Property (i) as all assets of the Mortgagor or words of similar effect, regardless of whether any particular asset comprised in the Mortgaged Property falls within the scope of Article 9 of the applicable UCC, or (ii) as being of an equal or lesser scope or with greater detail, and
- (b) Contain any other information required by the applicable UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including, but not limited to (i) whether the Mortgagor is an organization, the type of organization and any organizational identification number issued to the Mortgagor, and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Mortgaged Property relates. The Mortgagor agrees to furnish any such information to the Mortgagee promptly upon request. The Mortgagor also ratifies its authorization for the Mortgagee to have filed in any UCC jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

## ARTICLE IV

### EVENTS OF DEFAULT AND REMEDIES

**Section 4.01. Events of Default:**

Each of the following shall be an "Event of Default" under this Mortgage:

- (a) default shall be made in the payment of any installment of or on account of interest on or principal of (or premium, if any associated with) any Note or Notes for more than five (5) Business Days after the same shall be required to be made;
- (b) default shall be 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, Loan Agreements or in this Mortgage, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder shall have been given to the Mortgagor by any Mortgagee; PROVIDED, HOWEVER that in the case of a default on the terms of a Note or Loan Agreement of a particular Mortgagee, the "Notice of Default" required under this paragraph may only be given by that Mortgagee;

- (c) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within sixty (60) days after the institution thereof;
- (d) a receiver or liquidator of the Mortgagor or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within sixty (60) days after the entry thereof;
- (e) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits, easements, or licenses required to carry on any material portion of its business;
- (f) a final judgment for an amount of more than \$25,000 shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of sixty (60) days; or,
- (g) any material representation or warranty made by the Mortgagor herein, in the Loan Agreements or in any certificate or financial statement delivered hereunder or thereunder shall prove to be false or misleading in any material respect at the time made.

**Section 4.02. Acceleration of Maturity; Rescission and Annulment:**

- (a) If an Event of Default described in Section 4.01(a) has occurred and is continuing, any Mortgagee upon which such default has occurred may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (b) If any other Event of Default shall have occurred and be continuing, any Mortgagee may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (c) Upon receipt of actual knowledge of or any notice of acceleration by any Mortgagee, any other Mortgagee may declare the principal of all of its Notes to be due and payable

immediately by a notice in writing to the Mortgagor and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes or Loan Agreements to the contrary notwithstanding.

- (d) If after the unpaid principal of (and premium, if any) and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such Note or Notes (other than amounts due as a result of the acceleration of the Notes) shall be paid to the respective Mortgagees, and (i) all other defaults under the Loan Agreements, the Notes and this Mortgage shall have been made good or cured to the satisfaction of the Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding, (ii) proceedings to foreclose the lien of this Mortgage have not been commenced, and (iii) all reasonable expenses paid or incurred by the Mortgagees in connection with the acceleration shall have been paid to the respective Mortgagees, then in every such case such Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding may by written notice to the Mortgagor, for purposes of this Mortgage, annul such declaration and waive such default and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

**Section 4.03. Remedies of Mortgagees:**

If one or more of the Events of Default shall occur and be continuing, any Mortgagee personally or by attorney, in its or their discretion, may, in so far as not prohibited by law:

- (a) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues, proceeds and profits pertaining to or arising from the Mortgaged Property, or any part thereof, whether then past due or accruing thereafter, 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 by such Mortgagee in possession;
- (b) proceed to protect and enforce the rights of all of the Mortgagees 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 herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed necessary or advisable to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the Mortgagee instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all proceeds, rents, income, revenues and profits pertaining thereto or arising therefrom, whether then past due or accruing after the appointment of such receiver, 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 application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and

- (c) 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 at such place in any county (or its equivalent locality) in which the property to be sold, or any part thereof, is located, at such time and upon such terms as may be specified in a notice of sale, which shall state the time when and the place where the sale is to be held, shall contain a brief general description of the property to be sold, and shall be given by mailing a copy thereof to the Mortgagor at least fifteen (15) days prior to the date fixed for such sale and by publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said locality or, if no such newspaper is published in such locality, in a newspaper of general circulation in such locality, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale to be made under this subparagraph (c) of this Section 4.03 may be adjourned from time to time by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law the notice of sale shall be given or the sale be conducted, as the case may be, in accordance with the applicable provisions of law. The expense incurred by any Mortgagee (including, but not limited to, receiver's fees, counsel fees, cost of advertisement and agents' compensation) in the exercise of any of the remedies provided in this Mortgage shall be secured by this Mortgage.
- (d) In the event that a Mortgagee proceeds to enforce remedies under this Section, any other Mortgagee may join in such proceedings. In the event that the Mortgagees are not in agreement with the method or manner of enforcement chosen by any other Mortgagee, the Mortgagees representing a majority of the aggregate unpaid principal balance on the then outstanding Notes may direct the method and manner in which remedial action will proceed.

**Section 4.04. Application of Proceeds from Remedial Actions:**

Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the ratable payment of indebtedness hereby secured other than the principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes; and the balance, if any, shall be paid to whomsoever shall be entitled thereto.

**Section 4.05. Remedies Cumulative; No Election:**

Every right or remedy herein conferred upon or reserved to the Mortgagees or to the Noteholders shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.

**Section 4.06. Waiver of Appraisal Rights; Marshaling of Assets Not Required:**

The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder

the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law. Under no circumstances shall there be any marshaling of assets upon any foreclosure or to other enforcement of this Mortgage.

**Section 4.07. Notice of Default:**

The Mortgagor covenants that it will give immediate written notice to each Mortgagee of the occurrence of any Event of Default or in the event that any right or remedy described in Sections 4.02 and 4.03 hereof is exercised or enforced or any action is taken to exercise or enforce any such right or remedy.

**ARTICLE V**

**POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE**

**Section 5.01. Possession Until Default:**

Until some one or more of the Events of Default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, proceeds, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

**Section 5.02. Defeasance:**

If the Mortgagor shall pay or cause to be paid the whole amount of the principal of (and premium, if any) and interest on the Notes at the times and in the manner therein provided, and shall also pay or cause to be paid all other sums payable by the Mortgagor hereunder or under any Loan Agreement and shall keep and perform, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interest hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagee so paid shall thereupon cease, determine and become void and such Mortgagee, 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 Mortgagee, upon payment in full to such Mortgagee by the Mortgagor of all principal of (and premium, if any) and interest on any Note held by such Mortgagee and the payment and discharge by the Mortgagor of all charges due to such Mortgagee hereunder or under any Loan Agreement, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

**Section 5.03. Special Defeasance:**

Other than any Notes excluded by the foregoing Sections 5.01 and 5.02 and Notes which have become due and payable, the Mortgagor may cause the Lien of this Mortgage to be defeased with respect to any Note for which it has deposited or caused to be deposited in trust solely for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Note for principal (and premium, if any) and interest to the date of maturity thereof; PROVIDED, HOWEVER, that depository serving as trustee for such trust must first be accepted as such by the Mortgagee whose Notes are being defeased under this section. In such event, such a Note will no longer be considered to be an Outstanding Note for purposes of this Mortgage and the Mortgagee

shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

## ARTICLE VI

### MISCELLANEOUS

#### **Section 6.01. Property Deemed Real Property:**

It is hereby declared to be the intention of the Mortgagor that any electric generating plant or plants and facilities and all electric transmission and distribution lines, or other Electric System or Utility System facilities, embraced in the Mortgaged Property, including (without limitation) all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such plant, lines, facilities or systems, and all other property physically attached to any of the foregoing, shall be deemed to be real property.

#### **Section 6.02. Mortgage to Bind and Benefit Successors and Assigns:**

All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be a Mortgagee. The Mortgagor hereby agrees to execute such consents, acknowledgments and other instruments as may be reasonably requested by any Mortgagee in connection with the assignment, transfer, mortgage, hypothecation or pledge of the rights or interests of such Mortgagee hereunder or under the Notes or in and to any of the Mortgaged Property.

#### **Section 6.03. Headings:**

The descriptive headings of the various articles and sections of this Mortgage and also the table of contents were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

#### **Section 6.04. Severability Clause:**

In case any provision of this Mortgage or in the Notes or in the Loan Agreements shall be invalid or unenforceable, the validity, legality and enforceability of the remaining provisions thereof shall not in any way be affected or impaired, nor, nor shall any invalidity or unenforceability as to any Mortgagee hereunder affect or impair the rights hereunder of any other Mortgagee.

#### **Section 6.05. Mortgage Deemed Security Agreement:**

To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the UCC this Mortgage is hereby deemed a "security agreement" under the UCC, and, if so elected by any Mortgagee, a "financing statement" under the UCC for said security agreement. The mailing addresses of the Mortgagor as debtor, and the Mortgagees as secured parties are as set forth in Schedule "A" hereof. If any Mortgagee so directs the Mortgagor to do so, the Mortgagor shall file as a financing statement under the UCC for said security agreement and for the benefit of all of the Mortgagees, an instrument other than this Mortgage. In such case, the instrument to be filed shall be in a form customarily accepted by the filing office as a financing

statement. PROCEEDS OF COLLATERAL ARE COVERED HEREBY. The Mortgagor is an organization of the type and organized in the jurisdiction set forth on the first page hereof. The cover page hereof accurately sets forth the Mortgagor's organizational identification number or accurately states that the Mortgagor has none.

**Section 6.06. Indemnification by Mortgagor of Mortgagees:**

The Mortgagor agrees to indemnify and save harmless each Mortgagee against any liability or damages which any of them may incur or sustain in the exercise and performance of their rightful powers and duties hereunder. For such reimbursement and indemnity, each Mortgagee shall be secured under this Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagee incurring or suffering the same with interest at the rate specified in Section 3.14 hereof. The Mortgagor's obligation to indemnify the Mortgagees under this section and under Section 3.04 shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

IN WITNESS WHEREOF, KENERGY CORP., as Mortgagor, has caused this Restated Mortgage and Security Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, UNITED STATES OF AMERICA, as Mortgagee, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee and COBANK, ACB, as Mortgagee, have each caused this Restated Mortgage and Security Agreement to be signed in their respective names by duly authorized persons, all as of this day and year first above written.

KENERGY CORP.

by *Sandra Wood*, Chairperson

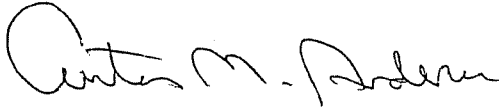
(Seal)

Attest: *Charlize Mitchell*  
Secretary

Executed by the Mortgagor  
in the presence of:

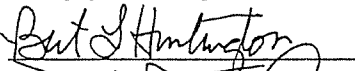
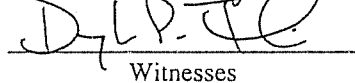
*Frank W. King*  
*Elizabeth Ellis*  
Witnesses

UNITED STATES OF AMERICA

by 

DEPUTY  
Administrator  
of the  
Rural Utilities Service

Executed by United States of America,  
Mortgagee, in the presence of:


  


BERT L. HUNTINGTON

Douglas P. Jenkins

Witnesses

NATIONAL RURAL UTILITIES COOPERATIVE  
FINANCE CORPORATION

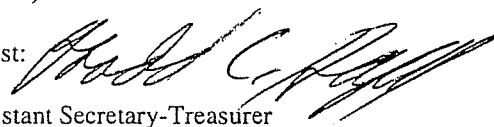
by  AMY S. LUONGO

Assistant Secretary-Treasurer

(SEAL)

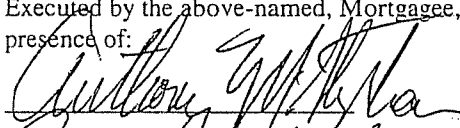
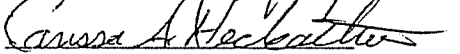
Attest:

Assistant Secretary-Treasurer



THADD C. KEZAR

Executed by the above-named, Mortgagee, in the  
presence of:

ANTHONY M. STEPHAN

Carissa A. Heckathorn

Witnesses



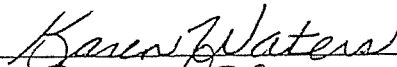
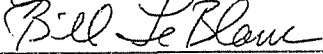
COBANK, ACB

by 

Assistant Corporate Secretary

(SEAL)  
Attest:   
Assistant Corporate Secretary

Executed by CoBank, ACB, Mortgagee, in the presence of:

  
  
Witnesses

COMMONWEALTH OF KENTUCKY )  
 ) SS  
COUNTY OF Wenderson )

I, Charla D. Smithhart, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that Sandra Stood, personally known to me to be the Chairperson of Kenergy Corp., a corporation of the Commonwealth of Kentucky, and to me known to be the identical person whose name is as Chairperson of said corporation, subscribed to the foregoing instrument, appeared before me this day in person and produced the foregoing instrument to me in the County aforesaid and acknowledged that as such Chairperson <sup>she</sup> signed the foregoing instrument pursuant to authority given by the board of directors of said corporation as his free and voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

Given under my hand this 5th day of August, 2003.

Charla D. Smithhart  
Notary Public  
in and for Wenderson County, Kentucky

(Notarial Seal)

My Commission expires: September 29, 2005

DISTRICT OF COLUMBIA

) SS

On this 26<sup>th</sup> day of JUNE, 2003, personally appeared before me <sup>DEPUTY</sup> ~~she~~ <sup>he</sup> CURTIS M. ANDERSON, who, being duly sworn, did say that ~~she~~ <sup>he</sup> is the Administrator of the Rural Utilities Service, an agency of the United States of America, and acknowledged to me that, acting under a delegation of authority duly given and evidenced by law and presently in effect, ~~she~~ <sup>he</sup> executed said instrument as the act and deed of the United States of America for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF I have heretofore set my hand and official seal the day and year last above written.

James F. Mothershed  
Notary Public  
JAMES F. MOTHERSHED

(Notarial Seal)

My commission expires: JUNE 14, 2004.

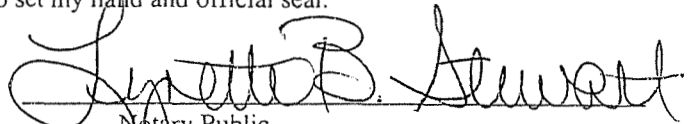
COMMONWEALTH OF VIRGINIA

)  
) SS

COUNTY OF FAIRFAX

On this 31<sup>st</sup> day of July, 2003, before me appeared ADY S. WONGO, to me personally known, who, being by me duly sworn, did say that he is the ASSISTANT SECRETARY-TREASURER of the National Rural Utilities Cooperative Finance Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said ASSISTANT SECRETARY-TREASURER acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

  
Notary Public

(Notarial Seal)

Lynette B. Stewart

My commission expires: 7/31/2007

STATE OF COLORADO

)

) ss.

COUNTY OF ARAPAHOE

)

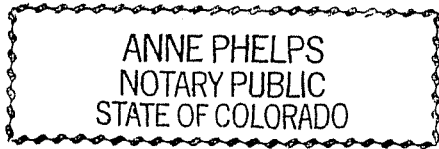
This instrument was acknowledged before me on August 4th, 2003, by  
Penny Probasco and Valerie Sample, each an  
 Assistant Corporate Secretary of CoBank, ACB, a federally chartered instrumentality of the United States, on behalf  
 of said entity.

Witness my hand and official seal.

My commission expires:

\_\_\_\_\_

Anne Phelps  
 Notary Public - State of Colorado



My Commission Expires 6/19/2005

SCHEDULE A: Part One

1. The Maximum Debt Limit referred to in Section 1.01 is \$250,000,000.00
2. The state referred to in Section 1.04 is Kentucky.
3. The addresses of the parties referred to in Sections 1.05 and 6.05 are as follows:

As to the Mortgagor:

Kenergy Corp.  
6402 Old Corydon Road  
Henderson, Kentucky 42420

As to the Mortgagees:

Rural Utilities Service  
United States Department of Agriculture  
Washington, DC 20250-1500

National Rural Utilities  
Cooperative Finance Corporation  
2201 Cooperative Way  
Herndon, Virginia 20171-3025

CoBank, ACB  
5500 South Quebec Street  
Greenwood Village, Colorado 80111-1914

4. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

Instrument Title

Instrument Date

Restated Mortgage and Security Agreement

September 1, 1999

5. The outstanding secured obligations of the Mortgagor referred to in the fourth WHEREAS clause above are evidenced by the Original Notes described below:

**ORIGINAL NOTES issued to the Government<sup>1</sup>**

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate<sup>2</sup></u>
AC	\$1,268,000.00	11 Mar 1970	11 Mar 2005	2.00
AC	\$530,000.00	21 Jul 1970	21 Jul 2005	2.00
AD2	\$521,000.00	30 Jul 1971	30 Jul 2006	2.00
AD2	\$499,000.00	10 Jun 1972	10 Jun 2007	2.00
AE2	\$760,000.00	16 Jun 1972	16 Jun 2007	2.00
AE6	\$452,000.00	12 Sep 1973	12 Sep 2008	5.00
AF6	\$354,000.00	15 Apr 1974	15 Apr 2009	5.00
AF6	\$580,000.00	31 May 1974	31 May 2009	5.00
AG7	\$352,000.00	1 Nov 1974	1 Nov 2009	5.00
AG6	\$580,000.00	2 Jun 1975	2 Jun 2010	5.00
AH7	\$866,000.00	19 Jul 1975	19 Jul 2010	5.00
AH6	\$556,000.00	22 May 1976	22 May 2011	5.00
AK7	\$866,000.00	17 Jul 1976	17 Jul 2011	5.00
AK6	\$556,000.00	26 Apr 1977	26 Apr 2012	5.00
AL7	\$1,470,000.00	5 Aug 1977	5 Aug 2012	5.00
AM7	\$1,470,000.00	25 Apr 1978	25 Apr 2013	5.00
AL6	\$3,045,000.00	8 Jun 1978	8 Jun 2013	5.00
AN7	\$3,415,000.00	16 May 1979	16 May 2014	5.00
AM6	\$2,771,000.00	31 May 1980	31 May 2015	5.00
AP7	\$3,049,000.00	6 May 1981	6 May 2016	5.00
AN6	\$1,834,000.00	24 Apr 1982	24 Apr 2017	5.00
AR7	\$3,003,000.00	3 Feb 1984	3 Feb 2019	5.00
AP6	\$2,117,000.00	26 Nov 1986	26 Nov 2021	5.00
AS7	\$3,402,000.00	5 Dec 1986	5 Dec 2021	5.00
AT7	\$3,369,000.00	5 Oct 1988	5 Oct 2023	5.00
AR6	\$2,784,000.00	22 Sep 1989	22 Sep 2024	5.00
AU7	\$3,672,000.00	5 Sep 1990	5 Sep 2025	5.00
AV7	\$3,741,000.00	28 Jan 1993	28 Jan 2028	5.00
AS6	\$2,544,000.00	27 May 1994	27 May 2029	5.00
AW70	\$3,403,000.00	14 Dec 1994	14 Dec 2029	V
AX70	\$3,962,000.00	1 Jul 1997	1 Jul 2032	V
AT60	\$5,226,000.00	1 Apr 1998	1 Apr 2033	V

<sup>1</sup>"Government" as used in this listing refers to the United States of America acting through the Administrator of the Rural Utilities Service (RUS) or its predecessor agency, the Rural Electrification Administration (REA). Any Notes which are payable to a third party and which either RUS or REA has guaranteed as to payment are also described in this listing as being issued to the Government. Such guaranteed Notes are typically issued to the Federal Financing Bank (FFB), an instrumentality of the United States Department of Treasury, and held by RUS, but may also be issued to non-governmental entities.

<sup>2</sup>V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations or by the Secretary of Treasury. CFC=an interest rate which may be fixed or variable from time to time as provided in the CFC Loan Agreement pertaining to a loan which has been made by CFC and guaranteed by RUS. CoBank=an interest rate which may be fixed or variable from time to time as provided in the CoBank Loan Agreement pertaining to a loan which has been made by CoBank and guaranteed by RUS.

A40	\$56,451,000.00	1 Feb 2001	1 Feb 2036	V
B8 <sup>3</sup>	\$21,355,000.00	1 Jul 2003	31 Dec 2037	V

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<sup>3</sup>In addition to this note which the Mortgagor has issued to FFB, the Mortgagor has also issued a corresponding promissory note to RUS designated as the certain "Reimbursement Note" bearing even date therewith. Such Reimbursement Note is payable to the Government on demand and evidences the Mortgagor's obligation immediately to repay RUS, any payment which RUS may make pursuant to the RUS guarantee of such FFB note, together with interest, expenses and penalties (all as described in such Reimbursement Note). Such Reimbursement Note is an "ORIGINAL NOTE issued to the Government" for purposes of this Part One of Schedule A and this Mortgage and is entitled to all of the benefits and security of this Mortgage.



SCHEDULE A: Part Two

The outstanding secured obligations of the Mortgagor referred to in the fourth WHEREAS clause above are evidenced by the Original Notes described below:

ORIGINAL NOTES issued to CFC

<u>CFC Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
KY 065-C-9000	\$125,000.00	06/10/1972	09/10/2007
KY 065-C-9001	\$194,000.00	09/12/1973	09/12/2008
KY 065-C-9002	\$249,000.00	05/31/1974	05/31/2009
KY 065-C-9009	\$935,052.00	11/26/1986	11/26/2021
KY 065-C-9011	\$1,123,711.00	05/27/1994	05/27/2029
KY 065-C-9012	\$2,240,000.00	04/01/1998	04/01/2033

Schedule A: Part Three

The outstanding secured obligations of the Mortgagor referred to in the fourth WHEREAS clause above are evidenced by the Original Notes described below:

**ORIGINAL NOTES issued to CoBank, ACB**

<u>Note Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>
ML501T1	\$1,698,000.00	July 1, 1999	May 1, 2032	V
ML0501T2	\$1,458,000.00	July 1, 1999	March 20, 2020	V
ML0501T4	\$1,444,000.00	July 1, 1999	November 20, 2022	V
ML0501T5	\$1,287,000.00	July 1, 1999	October 20, 2017	V
ML0501T6	\$1,603,000.00	July 1, 1999	January 20, 2028	V
ML0501T7	\$1,458,000.00	July 1, 1999	December 20, 2029	V
ML0501T8	\$1,573,000.00	July 1, 1999	June 20, 2025	V
ML0501T10	\$3,827,000.00	October 2, 2001	October 20, 2026	V

## SCHEDULE B

### Property Schedule

The fee and leasehold interests in real property referred to in Subclause A of Granting Clause First are described on the attached pages designated 1 through 5 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: the Counties of Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster in the Commonwealth of Kentucky.

The contracts referred to in Subclause C of Granting Clause First include without limitation the Wholesale Power Contract, dated as of July 11, 1962, between the Mortgagor and Big Rivers Electric Corporation, as amended.

1 - West Owensboro Substation Daviness County 1.033 Acres	A certain tract of land described in a certain deed, dated March 19, 1951, by R. L. Mitchell and Doris Mitchell, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on April 9, 1951, in the office of the County Clerk of Daviness County, in the state of Kentucky, in Deed Book 209, on Page 263.
2 - Beda Substation Ohio County 1 Acre	A certain tract of land described in a certain deed, dated April 26, 1951, by J. R. Shown and Antha Shown, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on April 30, 1951, in the office of the County Clerk of Ohio County, in the state of Kentucky, in Deed Book 113, on Page 133.
3 - Hanson Substation Hopkins County .56 Acre	A certain tract of land described in a certain deed, dated September 13, 1951, by B. W. L. McLaughlin, as grantor to Green River Electric Corporation, as grantee, and recorded on September 15, 1951, in the office of the County Court Clerk of Hopkins County, in the state of Kentucky, in Deed Book 209, on Page 186.
4 - Guffie Substation McLean County 1 Acre	A certain tract of land described in a certain deed, dated June 13, 1953, by Howard Whitaker and Mittie Whitaker, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on July 31, 1953, in the office of the County Court clerk of McLean County, in the state of Kentucky, in Deed Book 45, on Page 379.
5 - Lewisport Substation Hancock County 1.5 Acres	A certain tract of land described in a certain deed, dated January 20, 1955, by R. T. Toler, Sr., and Mary Idelle Toler, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on February 3, 1955, in the office of the County Court Clerk of Hancock County, in the state of Kentucky in Deed Book 63, on Page 256.
6 - Utica Substation Daviness County 1.72 Acres	A certain tract of land described in a certain deed, dated March 26, 1956, by W. D. Ridgeway and Verda Ridgeway, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on March 29, 1956, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 254, on Page 192.
7 - Whitesville Substation Daviness County 1.5 Acres	A certain tract of land described in a certain deed, dated June 22, 1956, by Otis W. Greer and Martha A. Greer, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on June 22, 1956, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 257, on Page 315.
8 - Weberstown Substation Hancock County 1.08 Acres	A certain tract of land described in a certain deed, dated June 27, 1956, by Walter A. Glover and Blanche Glover, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on July 21, 1956, in the office of the County Court Clerk of Hancock County, in the state of Kentucky, in Deed Book 64, on Page 238.
9 - Hawesville Office Hancock County One-Half ½ Acre	A certain tract of land described in a certain deed, dated March 31, 1960, by J. E. Harp and Salome Harp, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on March 31, 1960, in the office of the County Court Clerk of Hancock County, in the state of Kentucky, in Deed Book 66, on Page 35.
10 - Hawesville Substation Hancock County 6.01 Acres	A certain tract of land described in a certain deed, dated June 7, 1960, by Earl L. White and Opal White, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on June 8, 1960, in the office of the County Court Clerk of Hancock County, in the state of Kentucky, in Deed Book 66, on Page 127.
11 - Stanley Substation Daviness County 2 Acres	A certain tract of land described in a certain deed, dated May 29, 1961, by J. H. Jarboe and Hattie Jarboe, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on May 31, 1961, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 301, on Page 26.
12 - Thruston Substation Daviness County 2 Acres	A certain tract of land described in a certain deed, dated March 10, 1962, by William T. Abell and Carye B. Abell, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on March 13, 1962, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 307, on Page 534.

13 – Masonville Substation Daviness County 2.02 Acres	A certain tract of land described in a certain deed dated June 28, 1962, by J. C. Barnhill and Stella Barnhill, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on July 6, 1962, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 310, on Page 612.
4 – Owensboro Office/ Warehouse Daviness County 33.90 Acres	(a) A certain tract of land described in a certain deed, dated January 7, 1964, by Guy Wright and Bertha M. Wright, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on January 9, 1964, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 325, on Page 293. (b) A certain tract of land described in a certain deed, dated June 24, 1971, by Thomason Industries, Inc., as grantor to Green River Electric Corporation, as grantee, and recorded on July 2, 1971, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 404, on Page 76. (c) A certain tract of land described in a certain deed, dated September 28, 1982, by J. W. McCormick and Bonita McCormick, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on September 29, 1982, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 497, on Page 665.
15 – Onton Substation Webster County 2 Acres	A certain tract of land described in a certain deed, dated August 4, 1965, by Walter Lee Ritz and Marvene Ritz, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on August 4, 1965, in the office of the County Court Clerk of Webster County, in the state of Kentucky, in Deed Book 131, on Page 315.
16 – St. Joseph Substation Daviness County 2 Acres	A certain tract of land described in a certain deed, dated August 7, 1965, by Joseph Daniel Mattingly and Ora B. Mattingly, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on August 11, 1965, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 342, on Page 516.
17 – Dermont Substation Daviness County 2 Acres	A certain tract of land described in a certain deed, dated November 28, 1967, by Edward Leo Jones and Margaret T. Jones, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on December 7, 1967, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 366, on Page 161.
18 – So. Hanson Warehouse/ Substation Hopkins County 5.139 Acres	A certain tract of land described in a certain deed, dated April 11, 1974, by Arthur Adams and Ruth Adams, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on April 11, 1974, in the office of the County Court Clerk of Hopkins County, in the state of Kentucky, in Deed Book 362, on Page 672.
19 – Hartford Office Ohio County .52 Acre	A certain tract of land described in a certain deed, dated August 6, 1976, by Herman Park, a single man, as grantor to Green River Electric Corporation, as grantee, and recorded on August 6, 1976, in the office of the County Court Clerk of Ohio County, in the state of Kentucky, in Deed Book 220, on Page 116-117.
20 – So. Owensboro Substation Daviness County 2.410 Acres	A certain tract of land described in a certain deed, dated May 16, 1977, by and between Norbert Goetz and Mary Goetz, his wife, and Robert M. Moorman and Barbara Moorman, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on August 1, 1977, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 469, on Page 37.
21 – Centertown Substation Ohio County 2 Acres	A certain tract of land described in a certain deed, dated August 8, 1977, by Homer Ford and Kathryn Ford, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on August 13, 1977, in the office of the County Court Clerk of Ohio County, in the state of Kentucky, in Deed Book 224, on Page 28 – 31.
22 – South Dermont Substation Daviness County 2.020 Acres	A certain tract of land described in a certain deed, dated December 19, 1977, by and between William L. Reno Jr. and Barbara G. Reno, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on January 3, 1978, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 473, on Page 794.
23 – Panther Microwave Daviness County 2.833 Acres	A certain tract of land described in a certain deed, dated October 3, 1980, by and between E. D. Rafferty and Tina Rafferty, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on October 10, 1980, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 501, Page 437-439.
– East Owensboro Substation Daviness County 6.587 Acres	A certain tract of land described in a certain deed, dated November 26, 1980, by and between B. Chrisler and Gertrude Chrisler, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on November 28, 1980, in the office of the County Court Clerk of Daviness County, in the state of Kentucky, in Deed Book 222, in Page 486.

25 - Whitesville Microwave Site Davieess County .0918 Acres	A certain tract of land described in a certain deed, dated October 31, 1980, by and between Virginia C. Kelley, a widow, as grantor to Green River Electric Corporation, as grantee, and recorded on November 5, 1980, in the office of the County Court Clerk of Davieess County, in the state of Kentucky, in Deed Book 502, on Page 211.
6 -- Nuckols Substation Davieess County 1.947 Acres	A certain tract of land described in a certain deed, dated November 9, 1982, by and between Virginia Coke, a widow, Baxter Jean Coke Jr., and Ella C. Coke, his wife, James W. Coke, single and Ben H. Coke, single, as grantors to Green River Electric Corporation, as grantee, and recorded on November 10, 1982, in the office of the County Court Clerk of McLean County, in the state of Kentucky, in Deed Book 67, on Page 93.
27 - Sacramento Substation Davieess County 3.465 Acres	A certain tract of land described in a certain deed, dated December 21, 1983, by and between Emma Sue Lancaster and Pat Lancaster, her husband, and Carolyn Jackson and J. O. Jackson, her husband, and Charlotte Jackson and Charles Jackson, her husband, as grantors to Green River Electric Corporation, as grantee, and recorded on January 10, 1984, in the office of the County Court Clerk of McLean County, in the state of Kentucky, in Deed Book 104, on Page 70.
28 - Philpot Substation Davieess County 3.466 Acres	A certain tract of land described in a certain deed, dated December 10, 1987, by and between Anna Elizabeth Oberst, widow, by and through her Co-Attorneys-in-Fact, Gerald E. Oberst and Rose O. Clark, as grantors to Green River Electric Corporation, as grantee, and recorded on December 11, 1987, in the office of the County Court Clerk of Davieess County, in the state of Kentucky, in Deed Book 567, on Page 724.
29 - Pleasant Ridge Substation Davieess County 3.305 Acres	A certain tract of land described in a certain deed, dated July 8, 1991, by and between Donald Rock and Marie Nicely Rock, husband and wife, as grantors to Green River Electric Corporation, as grantee, and recorded on July 10, 1991, in the office of the County Court Clerk of Ohio County, in the state of Kentucky, in Deed Book 277, on Page 669.
30 - Beech Grove Substation McLean County .74 Acre	A certain tract of land described in a certain deed, dated November 18, 1997, by and between Ola Bell Edds, unmarried, as grantor to Green River Electric Corporation, as grantee, and recorded on November 18, 1997, in the office of the County Court Clerk of McLean County, in the state of Kentucky, in Deed Book 140, on Page 94.
<sup>1</sup> - Beech Grove Substation McLean County .027 Acre	A certain tract of land described in a certain deed, dated January 8, 1998, by and between Herman B. Ward Jr. and Kathleen C. Ward, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on January 8, 1998, in the office of the County Court Clerk of McLean County, in the state of Kentucky, in Deed Book 140, on Page 445.
32 - Lewisport Substation (Second Bay) Hancock County .888 Acre	A certain tract of land described in a certain deed, dated September 10, 1998, by and between Samuel H. Pate and Michael Pate (aka Michele Pate), his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on October 29, 1998, in the office of the County Court Clerk of Hancock County, in the state of Kentucky, in Deed Book 118, on Page 644.
33 - Horse Fork Substation Davieess County 6.49 Acres	A certain tract of land described in a certain deed, dated January 22, 1999, by and between Rudolph D. Martin and Martha Louis Martin, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on January 26, 1999, in the office of the County Court Clerk of Davieess County, in the state of Kentucky, in Deed Book 696, on Page 161.
34 - Hawesville Property (Powers Street) Hancock County .579 Acre	A certain tract of land described in a certain deed, dated February 25, 1999, by and between Joel White, unmarried, Larry R. White and Jackie White, his wife, as grantors to Green River Electric Corporation, as grantee, and recorded on March 8, 1999, in the office of the County Court Clerk of Hancock County, in the state of Kentucky, in Deed Book 119, Pages 400 - 403.
35 - Weaverton Sub. Henderson County .23 Acre	A certain tract of land described in a certain deed, dated July 16, 1937, by Straughn Suggs, et al., as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 91, Page 139.
36 - Weaverton Sub. Henderson County .03 Acre	A certain tract of land described in a certain deed, dated April 5, 1939, by Straughn Suggs et al., as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 93, Page 547.
- Marion Substation Crittenden County .36 Acre	A certain tract of land described in a certain deed, dated April 11, 1947, by the City of Marion, Kentucky, as grantor, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Crittenden County, in the state of Kentucky, in Deed Book 75, Page 199.

38 – Zion Substation Henderson County .49 Acre	A certain tract of land described in a certain deed, dated November 25, 1952, by Paul Bickett and his wife, Mary Ellen Bickett, as grantors, to the Mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 159, Page 409.
9 – Sebree Substation Webster County .34 Acre	A certain tract of land described in a certain deed, dated October 26, 1954, by E. C. Liles, and his wife, Veatrice Liles, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Webster County, in the state of Kentucky, in Deed Book 112, Page 436.
40 – Niagra Substation Henderson County .34 Acre	A certain tract of land described in a certain deed, dated November 4, 1968, by James C. Hicks et al., as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the County Court of Henderson County, in the state of Kentucky, in Deed Book 239, Page 34.
41 – Little Dixie Sub. Henderson County 1 Acre	A certain tract of land described in a certain deed, dated September 8, 1965, by Mae Dossett et al., as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 221, Page 387.
42 – Morganfield Sub. Union County .39 Acre	A certain tract of land described in a certain deed, dated August 8, 1956, by Charles M. Meacham, Jr., and his wife, Annie Meacham, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Union County, in the state of Kentucky, in Deed Book 158, Page 307.
43 – Marion Office Crittenden County .39 Acre	A certain tract of land described in a certain deed, dated November 2, 1953, by Robert L. Qualls, and his wife, Nellie R. Qualls, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the Office of the Clerk of the County Court of Crittenden County, in the state of Kentucky, in Deed Book 83, Page 475.
44 – Marion Office Crittenden County .39 Acre	A certain tract of land described in a certain deed, dated October 31, 1953, by O. J. Rice and his wife, Lura Rice, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Crittenden County, in the state of Kentucky in Deed Book 83, Page 471.
5 – Marion Office Crittenden County .31 Acre	A certain tract of land described in a certain deed, dated October 6, 1953, by Gid Woods, a widower, as grantor, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Crittenden County, in the state of Kentucky, in Deed Book 83, Page 442.
46 – Providence Sub. Hopkins County 1.05 Acres	A certain tract of land described in a certain deed, dated February 21, 1949, by T. G. Rice and his wife, Leota Rice, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Hopkins County, in the state of Kentucky, in Deed Book 188, Page 249.
47 – Geneva Sub. Henderson County .91 Acre	A certain tract of land described in a certain deed, dated June 30, 1960, by J. B. Eakins, unmarried, as Grantor, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 199, Page 280.
48 – Henderson Sub. Henderson County .27 Acre	A certain tract of land described in a certain deed, dated December 9, 1950, by Russell D. Brown and Mary M. Brown, his wife, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 150, Page 44.
49 – Lyon County Substation Lyon County 1.52 Acres	(a) A certain tract of land described in a certain deed, dated February 25, 1960, by A. F. Thomas and his wife, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Lyon County, in the state of Kentucky, in Deed Book 49, Page 292. (b) A certain tract of land described in a certain deed, dated August 14, 2000, by Stanley Thomas and Leona Guess Thomas, his wife, as grantors, to Kenergy Corp., as grantee, and recorded in the office of the Clerk of the County Court of Lyon County, in the state of Kentucky, in Deed Book 123, Page 613.
50 – Sullivan Sub. Crittenden County .38 Acre	A certain tract of land described in a certain deed, dated May 12, 1972, by Big Rivers Rural Electric Cooperative Corporation, as grantor, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Crittenden County, in the state of Kentucky, in Deed Book 111, Page 532.

51 Dixon Substation Webster County .92 Acre	A certain tract of land described in a certain deed, dated October 20, 1976, by Aubrey Dossett and Mary Dossett, his wife, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Webster County, in the state of Kentucky, in Deed Book 169, Page 306.
2 - Dixon Substation Webster County .14 Acre	A certain tract of land described in a certain deed, dated May 10, 1977, by Aubrey Dossett and Mary Dossett, his wife, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Webster County, in the state of Kentucky, in Deed Book 173, Page 429.
53 - Race Creek Sub. Henderson County 1.02 Acres	A certain tract of land described in a certain deed, dated April 5, 1979, by C. Cooksey Crafton, and Dorothy C. Crafton, his wife, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 311, Page 714.
54 - Lot Adjacent Marion Office Crittenden County .29 Acre	A certain house and lot in the town of Marion, Crittenden County, Kentucky, in a certain deed dated January 26, 1981, by and between Farley Heirs, party of the First Part, and Henderson Union Electric Cooperative Corp., or its predecessor, party of the Second Part, and recorded in the office of the County Court Clerk of Crittenden County in the state of Kentucky, in Deed Book 137, Page 197.
55 - Weaverton Sub. Henderson County .033 Acre	A certain tract of land described in a certain deed, dated February 20, 1984, by Russell D. Brown, as grantor, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 344, Page 189.
56- Persimmon Ridge Microwave Union County .06 Acre	A certain tract of land described in a certain deed, dated April 25, 1984, by Glenn Watson, and his wife, Peggy Watson, as grantors, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Union County, in the state of Kentucky, in Deed Book 244, Page 357.
57 - Henderson Headquarters Henderson County 20 Acres	A certain tract of land described in a certain deed, dated January 20, 1989, by Tommy D. Tapp, and his wife, Theda Tapp, as parties of the First Part, grantors, and Henderson Union Electric Cooperative Corp., or its predecessor, party of the Second Part, as grantee, and recorded in the office of the Clerk of Henderson County, in the state of Kentucky, in Deed Book 393, Page 22.
58 - Riverport Sub. Henderson County .08 Acre	A certain tract of land described in a certain deed, dated October 26, 1988, by Valley Grain Products, Inc., as grantor, to Henderson Union Electric Cooperative Corp., or its predecessor, as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 391, Page 434.
59 -Tyson Substation Henderson County 1.3774 Acres	A certain tract of land and ingress and egress easement described in a certain deed dated November 8, 1995, by the County of Henderson, Kentucky, et al., as grantors, to Henderson Union Electric Cooperative Corp., as grantee, and recorded in the office of the Clerk of the County Court of Henderson County, in the state of Kentucky, in Deed Book 454, Page 506.
60 - Bon Harbor Substation Daviness County 2 Acres	A certain tract of land described in a certain deed, dated June 9, 1999, by Sara Jane McNulty, unmarried, as grantor to Green River Electric Corporation, as grantee, and recorded on June 22, 1999, in the office of the County Clerk of Daviess County, in the state of Kentucky, in Deed Book 702, on Page 991.
61 - Maceo Substation Daviness County 2.103 Acres	A certain tract of land described in a certain deed, dated March 15, 2000, by Walter Ford, and his wife, Carol Ford, as grantors, to Kenergy Corp., as grantee, and recorded on March 16, 2000, in the office of the County Clerk of Caldwell County, in the state of Kentucky, in Deed Book 716, on Page 338.
62 - Caldwell Springs Substation Crittenden County 3.27 Acres	A certain tract of land described in a certain deed, dated July 12, 2000, by Vernon L. Travis, unmarried, as grantor to Kenergy Corp., as grantee, and recorded on July 15, 2000, in the office of the County Clerk of Crittenden County, in the state of Kentucky, in Deed Book 187, on Page 121.
63 - Crossroads Substation Caldwell County 3.30 Acres	A certain tract of land described in a certain deed, dated September 29, 2000, by Gerald W. Sigler, and his wife, Sandra K. Sigler, as grantors, to Kenergy Corp., as grantee, and recorded on October 4, 2000, in the office of the County Clerk of Caldwell County, in the state of Kentucky, in Deed Book 225, on Page 498.
64 - Wolf Hills Substation Henderson Co. 2.387 Acres	A certain tract of land described in a certain deed, dated January 2, 2001, by Cosmos Broadcasting Corp., a South Carolina corporation, successor by merger to WFIE, Inc., whose address is 1115 Mt. Auburn Road, Evansville, IN 47710, as grantor, to Kenergy Corp., as grantee, and recorded January 8, 2001, in the office of the County Clerk of Henderson



	County, in the state of Kentucky, in Deed Book 8, on Page 72.
65 - Air Park Substation Davies County 2.643 Acres	A certain tract of land described in a certain deed, dated January 23, 2001, by and between Economic Development Properties, Inc. and The City of Owensboro, as grantors, to Kenergy Corp., as grantee, and recorded on March 13, 2001, in the office of the County Clerk of Davies County, in the state of Kentucky, in Deed Book 731, on Page 973.
66 - Providence Substation Hopkins County 1.612 Acres	A certain tract of land described in a certain deed, dated June 12, 2002, by Big Rivers Electric Corporation, as grantor, to Kenergy Corp., as grantee, and recorded on June 13, 2002, in the office the County Clerk of Hopkins County, in the state of Kentucky, in Deed Book 609, on Page 220.

**SCHEDULE C**  
**Excepted Property**

None.



Exhibit B

Form of Supplemental Mortgage

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Supplemental Mortgage and Security Agreement, dated as of \_\_\_\_\_, (hereinafter sometimes called this "Supplemental Mortgage") is made by and among \_\_\_\_\_ (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of \_\_\_\_\_, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government"), \_\_\_\_\_ (Supplemental Lender) (hereinafter called \_\_\_\_\_), a \_\_\_\_\_ existing under the laws of \_\_\_\_\_, and intended to confer rights and benefits on both the Government and \_\_\_\_\_ and \_\_\_\_\_ in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and the Supplemental Lenders being hereinafter sometimes collectively referred to as the "Mortgagees").

Recitals

Whereas, the Mortgagor, the Government and \_\_\_\_\_ are parties to that certain Restated Mortgage and Security Agreement (the "Original Mortgage" as identified in Schedule "A" of this Supplemental Mortgage) originally entered into between the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and \_\_\_\_\_; and

Whereas, the Original Mortgage as the same may have been previously supplemented, amended or restated is hereinafter referred to as the "Existing Mortgage"; and

Whereas, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same, and to enter into this Supplemental Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity, and to add \_\_\_\_\_ as a Mortgagee and secured party hereunder and under the Existing Mortgage (the Supplemental Mortgage and the Existing Mortgage, hereinafter sometimes collectively referred to the "Mortgage"); and

Whereas, all of the Mortgagor's Outstanding Notes listed in Schedule "A" hereto is secured pari passu by the Existing Mortgage for the benefit of all of the Mortgagees under the Existing Mortgage; and

Whereas, the Existing Mortgage provides the terms by which additional pari passu obligations may be issued thereunder and further provides that the Existing Mortgage may be supplemented from time to time to evidence that such obligations are entitled to the security of the Existing Mortgage and to add additional Mortgagees; and

Whereas, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Notes listed in Schedule "A" pari passu with the Outstanding Notes under the Existing Mortgage (and do hereby add \_\_\_\_\_ as a Mortgagee and a secured party under the Existing Mortgage); and

Whereas, all acts necessary to make this Supplemental Mortgage a valid and binding legal instrument for the security of such notes and related obligations under the terms of the Mortgage, have been in all respects duly authorized:

Now, Therefore, This Supplemental Mortgage Witnesseth: That to secure the payment of the principal of (and premium, if any) and interest on all Notes issued hereunder according to their tenor and effect, and

the performance of all provisions therein and herein contained, and in consideration of the covenants herein contained and the purchase or guarantee of Notes by the guarantors or holders thereof, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge and grant a continuing security interest in for the purposes hereinafter expressed, unto the Mortgagees all property, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein or any other kind or nature, except any Excepted Property set forth on Schedule "C" hereof owned or hereafter acquired by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following:

- A. all of those fee and leasehold interests in real property set forth in Schedule "B" hereto, subject in each case to those matters set forth in such Schedule; and
- B. all of those fee and leasehold interests in real property set forth in Schedule "B" of the Existing Mortgage or in any restatement, amendment or supplement thereto, subject in each case to those matters set forth in such Schedule; and
- C. all of the kinds, types or items of property, now owned or hereafter acquired, described as Mortgaged Property in the Existing Mortgage or in any restatement, amendment to supplement thereto as Mortgaged Property.

It is Further Agreed and Covenanted That the Original Mortgage, as previously restated, amended or supplemented, and this Supplement shall constitute one agreement and the parties hereto shall be bound by all of the terms thereof and, without limiting the foregoing.

- 1. All capitalized terms not defined herein shall have the meaning given in Article I of the Existing Mortgage.
- 2. This Supplemental Mortgage is one of the Supplemental Mortgages contemplated by Article II of the Original Mortgage.
- 3. The Maximum Debt Limit for the Mortgage shall be as set forth in Schedule "A" hereto.

In Witness Whereof, \_\_\_\_\_ as Mortgagor

[ACKNOWLEDGMENTS]

**SAMPLE - NOT FOR EXECUTION**



**Supplemental Mortgage Schedule B**

**Property Schedule**

The fee and leasehold interests in real property referred to in clause A of the Granting Clause are described on the attached pages designated through of this Schedule B.