

W. DAVID DENTON  
THOMAS J. KEULER  
WILLIAM E. PINKSTON  
LISA H. EMMONS  
DAVID L. KELLY  
THEODORE S. HUTCHINS\*  
GLENN D. DENTON\*  
STACEY A. BLANKENSHIP  
MELISSA D. YATES\*  
NEAL D. OLIPHANT  
DOUGLAS R. MOORE  
ROBERT W. GOFF\*\*  
JACKIE M. MATHENY JR.

\* Also Licensed To Practice in Illinois

\*\* Also Licensed To Practice in Tennessee

# DENTON & KEULER

ATTORNEYS AT LAW  
*A Limited Liability Partnership*

PADUCAH BANK BUILDING SUITE 301  
555 JEFFERSON STREET  
P.O. BOX 929  
PADUCAH, KENTUCKY 42002-0929

TELEPHONE  
(270) 443-8253

FACSIMILE  
(270) 442-6000

REAL ESTATE FACSIMILE  
(270) 442-6034

WEB SITE  
www.dklaw.com

December 10, 2010

**VIA FEDERAL EXPRESS**

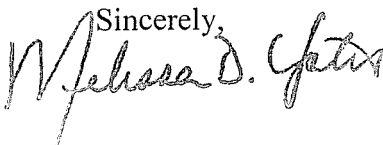
MR JEFF DEROUEN  
EXECUTIVE DIRECTOR  
KENTUCKY PUBLIC SERVICE COMMISSION  
211 SOWER BLVD.  
FRANKFORT KY 40602

**Re: *In the Matter of: Application of Jackson Purchase Energy for Authorization to Refinance from CoBank and Execute Necessary Notes***  
***Case No. 2010-00229***

Dear Mr. DeRouen:

Please find enclosed an original and three (3) copies of a Notice of Supplemental Compliance with Commission's Order relating to the above-noted matter.

If you should have any questions, please do not hesitate to contact me at the number listed above.

Sincerely,  


Melissa D. Yates  
Attorney for Jackson Purchase Energy Corporation

Enclosures

131509

**RECEIVED**

**DEC 13 2010**

**PUBLIC SERVICE  
COMMISSION**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

**RECEIVED**

DEC 13 2010

**PUBLIC SERVICE  
COMMISSION**

IN THE MATTER OF:

APPLICATION OF JACKSON PURCHASE )  
ENERGY FOR AUTHORIZATION TO ) Case No. 2010-00229  
REFINANCE FROM COBANK AND EXECUTE )  
NECESSARY NOTES )

**NOTICE OF SUPPLEMENTAL COMPLIANCE WITH COMMISSION'S ORDER**

Comes Jackson Purchase Energy Corporation ("JPEC") and herein tenders its supplemental compliance with the Commission's Order dated July 6, 2010.

JPEC states that the loan transactions contemplated in this case closed on July 19, 2010. In order to comply with the Commission's Order, copies of the closing documents executed by JPEC were delivered to the Commission via FedEx on July 28, 2010. Said documents were executed only by JPEC on the date of closing and were forwarded to all other parties for their signatures. JPEC has now received fully executed copies of the loan documents and tenders three (3) copies of the same herewith for filing.

Respectfully submitted,

DENTON & KEULER  
P. O. BOX 929  
PADUCAH KY 42002-0929  
Telephone: (270) 443-8253  
Facsimile: (270) 442-6000

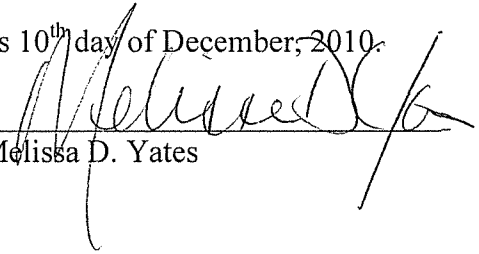
By:   
Melissa D. Yates

ATTORNEYS FOR JPEC

I hereby certify that the foregoing has been served by mailing one original and 3 copies via Federal Express, to:

MR JEFF DEROUEN  
EXECUTIVE DIRECTOR  
KENTUCKY PUBLIC SERVICE COMMISSION  
211 SOWER BLVD.  
FRANKFORT KY 40602

on this 10<sup>th</sup> day of December, 2010.

By:   
Melissa D. Yates

**EXHIBIT**  
**A**

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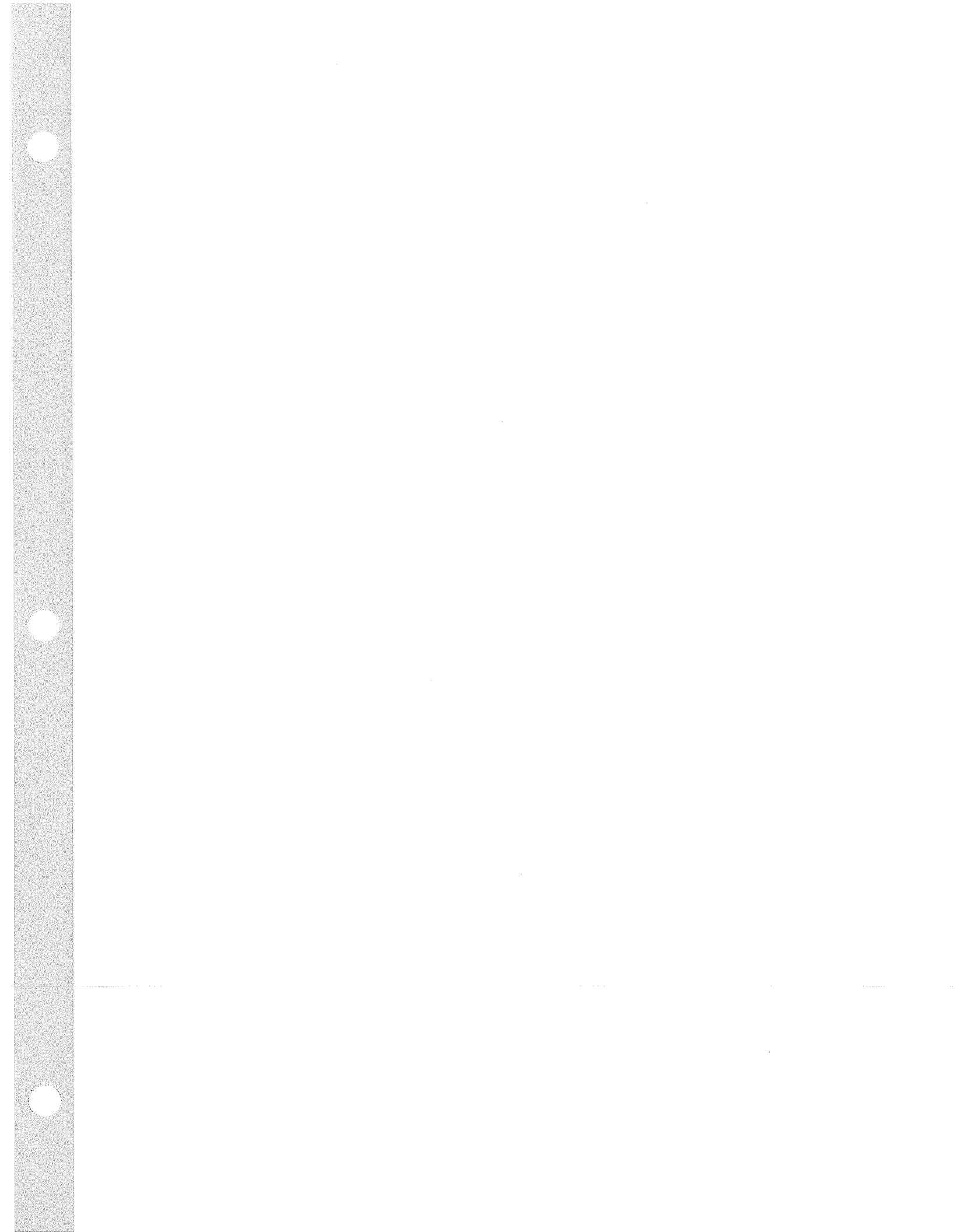
**COBANK, ACB**  
**\$9,265,992.16 CREDIT FACILITIES**  
**TO**  
**JACKSON PURCHASE ENERGY CORPORATION**

**LOAN CLOSING CHECKLIST**

No.	DOCUMENT	TO BE EXECUTED BY:	NUMBER OF COPIES	Date Rec'd
1.	Promissory Note and Supplement No. RX0731T7 (\$5,921,752.87 RUS Refinance)	Authorized Officer of the Company and CoBank	1 original and 1 copy (or 2 originals)	
2.	Promissory Note and Supplement No. RX0731T8 (\$3,344,239.29 RUS Refinance)	Authorized Officer of the Company and CoBank	1 original and 1 copy (or 2 originals)	
3.	Request for Loan	Authorized Officer of the Company	1 original and 1 copy (or 2 originals)	
4.	RUS Payoff Letter	Company to obtain from RUS	2 copies	
5.	Copy of Existing RUS Mortgage, as supplemented to the date hereof.	Counsel to CoBank and Company	2 copies	
6.	Copy of Existing UCC-1 financing statement acknowledged as having been filed in all places required by law	Counsel to CoBank and Company	2 copies of each	
7.	Supplemental Mortgage and Security Agreement	Company and CoBank (to be signed by RUS and CFC after closing)	11 originals	
8.	Notification to RUS and CFC Required by Section 2.02 of the Mortgage	Company	1 original and 1 copy, together with a copy of the fax report showing receipt by RUS	
9.	Application for Credit	Authorized Officer of the Company	1 original and 1 copy (or 2 originals)	
10.	Board Resolution	Certified by the Secretary of the Company	1 original and 1 copy (or 2 originals)	
11.	Incumbency Certificate	N/A Existing	N/A (Existing)	
12.	Delegation and Wire Transfer Authorization Form	Authorized Officer of the Company	1 original and 1 copy (or 2 originals)	
13.	Evidence of Regulatory and Other Third Party Approvals	Company (If none, opinion of counsel must so state)	2 copies	
14.	Evidence of Insurance	Company	2 copies	
15.	Opinion of Counsel	Counsel to Company	1 original and 1 copy (or 2 originals)	
16.	Notice Regarding Stock in CoBank	CoBank	2 copies	
17.	Loan Origination Fee(s)	Waived by CoBank	N/A	
18.	Forward Fixed Rate Agreements	Company and CoBank	2 copies	
19.	Legal Fees and closing costs	Company		

**POST-CLOSING ITEMS**

<b>No.</b>	<b>DOCUMENT</b>	<b>TO BE EXECUTED/ PERFORMED BY</b>	<b>NUMBER OF COPIES</b>	<b>Date Due</b>
20.	Evidence that the Supplemental Mortgage and Security Agreement has been signed by the Government and CFC and recorded in the following counties in the State of Kentucky: McCracken, Ballard, Carlisle, Graves, Livingston, and Marshall,	Counsel to Company	RUS, CFC and CoBank to receive an original of the Supplemental Mortgage and 1 copy of each certificate of recording. Please retain 1 copy of the Supplemental Mortgage and 1 copy of each certificate for your records	90 days from closing
21.	UCC, judgment, and tax lien searches	Counsel to Company	2 copies	90 days from closing
22.	Post-Closing Opinion of Counsel	Counsel to Company	1 original to CoBank and 1 copy to Company	90 days from closing



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

**THIS PROMISSORY NOTE AND SUPPLEMENT** (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of June 19, 2003 (as amended or restated, the "MLA") is entered into as of July 14, 2010, between **JACKSON PURCHASE ENERGY CORPORATION**, a Kentucky cooperative corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

**SECTION 1. The Commitment.** On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$5,921,752.87 (the "Commitment"). CoBank's obligation to make the loan shall expire at 12:00 Noon, Company's local time, on July 20, 2010, or on such later date as CoBank may, in its sole discretion, authorize in writing.

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

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

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

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

**(B) Quoted Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 4.69% per annum through the maturity date of October 20, 2026.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any



installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

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

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

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

**SECTION 8. Security.** The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA. Without limiting the foregoing, the Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured by that certain Restated Mortgage and Security Agreement dated as of February 1, 2007, among the Company, the Government, the National Rural Utilities Cooperative Finance Corporation ("CFC"), and CoBank, as same has been and may be amended, supplemented or restated from time to time (the "Mortgage")

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

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

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

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

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

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

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

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

(B) **Post Closing Items.** Within 90 days of the date hereof, the Company will: (1) cause the Government and CFC to sign the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places required by Law in order for the Mortgage to accord CoBank, as security for the Company's obligations hereunder and, to the extent related hereto, the MLA a duly perfected and recorded Lien on all real property and interests in real property subject to the Mortgage; and (3) furnish to CoBank (a) recorded, file-stamped copies of the Supplemental Mortgage showing that it has been recorded in each place required above; (b) such evidence as CoBank may reasonably require that there are no Liens on any property of the Company other than Liens permitted by the Mortgage; (c) such evidence as may be satisfactory to CoBank that all taxes and other governmental charges arising from the transactions contemplated hereby or the recording of any security instrument or documents, if any, have been paid; and (d) an opinion of its counsel (which opinion and counsel must be acceptable to CoBank).

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

**CoBANK, ACB**

By:


  
Assistant Corporate Secretary

Title:

**Irene Matlin**

**JACKSON PURCHASE ENERGY CORPORATION**

By:

  
PRESIDENT & CEO

Title:

**DESCRIPTION OF RUS LOANS TO BE REFINANCED**

The Existing Loan(s) are as follows:

<b>Lender</b>	<b>RUS Loan No.</b>
RUS	1B260
RUS	1B262
RUS	1B270
RUS	1B273
RUS	1B280
RUS	1B281
RUS	1B283
RUS	1B290
RUS	1B292

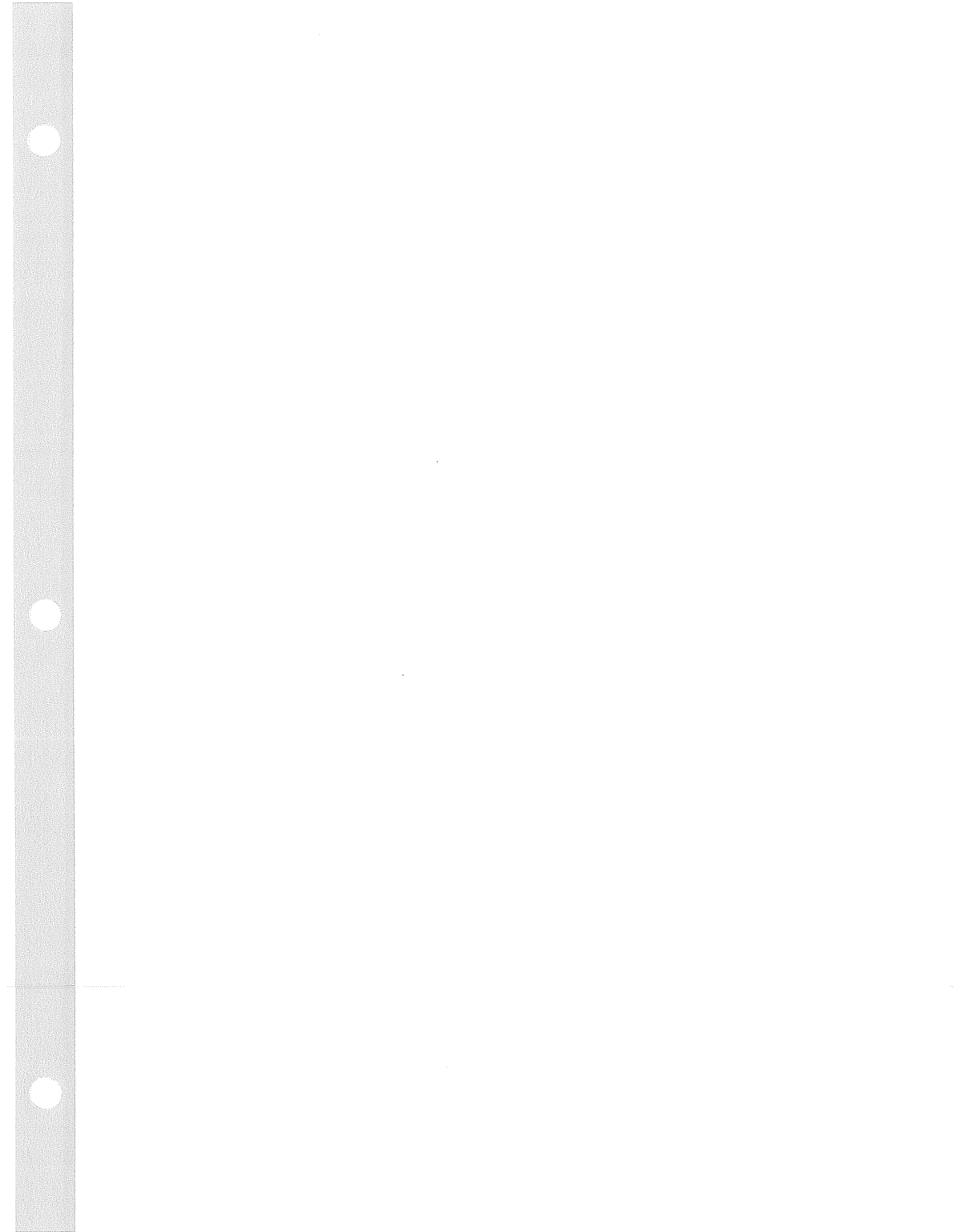
## REPAYMENT SCHEDULE

PAYMENT DUE DATE	AMOUNT DUE
07/20/2010	\$24,899.38
08/20/2010	\$45,557.48
09/20/2010	\$25,822.29
10/20/2010	\$25,220.97
11/20/2010	\$46,933.98
12/20/2010	\$25,438.60
01/20/2011	\$25,546.65
02/20/2011	\$48,985.64
03/20/2011	\$25,772.90
04/20/2011	\$26,568.48
05/20/2011	\$47,337.78
06/20/2011	\$26,784.49
07/20/2011	\$26,219.30
08/20/2011	\$47,942.23
09/20/2011	\$27,110.52
10/20/2011	\$26,557.59
11/20/2011	\$49,293.92
12/20/2011	\$26,786.44
01/20/2012	\$26,900.18
02/20/2012	\$50,550.23
03/20/2012	\$27,134.66
04/20/2012	\$27,891.89
05/20/2012	\$49,809.29
06/20/2012	\$28,118.99
07/20/2012	\$27,603.95
08/20/2012	\$50,444.97
09/20/2012	\$28,461.90
10/20/2012	\$27,959.78
11/20/2012	\$51,770.60
12/20/2012	\$28,200.35
01/20/2013	\$28,320.11
02/20/2013	\$53,679.19
03/20/2013	\$28,568.83
04/20/2013	\$29,285.70
05/20/2013	\$52,410.79
06/20/2013	\$29,524.46
07/20/2013	\$29,062.27
08/20/2013	\$53,079.31
09/20/2013	\$29,885.16
10/20/2013	\$29,436.52
11/20/2013	\$54,377.51
12/20/2013	\$29,689.46
01/20/2014	\$29,815.54
02/20/2014	\$56,208.92
03/20/2014	\$30,076.39
04/20/2014	\$30,750.82

05/20/2014	\$55,145.11
06/20/2014	\$31,001.84
07/20/2014	\$30,595.16
08/20/2014	\$55,848.19
09/20/2014	\$31,381.27
10/20/2014	\$30,988.82
11/20/2014	\$57,117.52
12/20/2014	\$31,254.78
01/20/2015	\$31,387.50
02/20/2015	\$58,867.85
03/20/2015	\$31,661.07
04/20/2015	\$32,290.89
05/20/2015	\$58,019.07
06/20/2015	\$32,554.83
07/20/2015	\$32,206.50
08/20/2015	\$58,758.43
09/20/2015	\$32,953.88
10/20/2015	\$32,620.56
11/20/2015	\$59,997.48
12/20/2015	\$32,900.15
01/20/2016	\$33,039.87
02/20/2016	\$61,189.46
03/20/2016	\$33,324.90
04/20/2016	\$33,907.92
05/20/2016	\$61,037.57
06/20/2016	\$34,185.37
07/20/2016	\$33,898.31
08/20/2016	\$61,815.08
09/20/2016	\$34,605.06
10/20/2016	\$34,333.80
11/20/2016	\$63,022.27
12/20/2016	\$34,627.74
01/20/2017	\$34,774.79
02/20/2017	\$64,597.81
03/20/2017	\$35,075.78
04/20/2017	\$35,609.51
05/20/2017	\$59,625.58
06/20/2017	\$35,901.21
07/20/2017	\$35,678.66
08/20/2017	\$35,830.15
09/20/2017	\$36,342.63
10/20/2017	\$36,136.65
11/20/2017	\$36,640.50
12/20/2017	\$36,445.70
01/20/2018	\$36,600.47
02/20/2018	\$37,762.00
03/20/2018	\$36,916.25
04/20/2018	\$37,398.16
05/20/2018	\$37,231.85
06/20/2018	\$37,704.86
07/20/2018	\$37,550.07
08/20/2018	\$37,709.53
09/20/2018	\$38,169.10

10/20/2018	\$38,031.74
11/20/2018	\$38,482.24
12/20/2018	\$38,356.69
01/20/2019	\$38,519.55
02/20/2019	\$39,502.73
03/20/2019	\$38,850.89
04/20/2019	\$39,278.33
05/20/2019	\$39,182.65
06/20/2019	\$39,600.77
07/20/2019	\$32,658.20
08/20/2019	\$22,987.67
09/20/2019	\$23,323.95
10/20/2019	\$23,184.34
11/20/2019	\$23,515.09
12/20/2019	\$23,382.64
01/20/2020	\$23,481.95
02/20/2020	\$24,026.97
03/20/2020	\$23,683.70
04/20/2020	\$24,000.40
05/20/2020	\$23,886.18
06/20/2020	\$24,197.19
07/20/2020	\$24,090.38
08/20/2020	\$24,192.69
09/20/2020	\$24,495.04
10/20/2020	\$24,399.43
11/20/2020	\$24,695.99
12/20/2020	\$24,607.91
01/20/2021	\$24,712.42
02/20/2021	\$25,365.75
03/20/2021	\$24,925.08
04/20/2021	\$25,206.84
05/20/2021	\$25,137.97
06/20/2021	\$25,413.73
07/20/2021	\$25,352.63
08/20/2021	\$25,460.31
09/20/2021	\$25,726.98
10/20/2021	\$25,677.67
11/20/2021	\$25,938.24
12/20/2021	\$25,896.88
01/20/2022	\$26,006.84
02/20/2022	\$26,539.86
03/20/2022	\$26,229.98
04/20/2022	\$26,475.00
05/20/2022	\$26,453.80
06/20/2022	\$26,692.51
07/20/2022	\$26,679.48
08/20/2022	\$26,792.79
09/20/2022	\$27,021.97
10/20/2022	\$27,021.31
11/20/2022	\$27,244.06
12/20/2022	\$27,251.76
01/20/2023	\$27,367.48
02/20/2023	\$27,774.05

03/20/2023	\$27,601.64
04/20/2023	\$27,808.05
05/20/2023	\$27,836.95
06/20/2023	\$28,036.73
07/20/2023	\$28,074.23
08/20/2023	\$23,145.05
09/20/2023	\$12,830.14
10/20/2023	\$12,813.90
11/20/2023	\$12,935.52
12/20/2023	\$12,923.24
01/20/2024	\$12,978.12
02/20/2024	\$13,157.00
03/20/2024	\$13,089.12
04/20/2024	\$13,202.98
05/20/2024	\$13,200.76
06/20/2024	\$13,311.50
07/20/2024	\$13,313.34
08/20/2024	\$13,369.88
09/20/2024	\$13,475.86
10/20/2024	\$13,483.88
11/20/2024	\$13,586.64
12/20/2024	\$13,598.84
01/20/2025	\$13,656.60
02/20/2025	\$13,834.30
03/20/2025	\$13,773.34
04/20/2025	\$13,867.94
05/20/2025	\$13,890.72
06/20/2025	\$13,982.02
07/20/2025	\$14,009.08
08/20/2025	\$14,068.56
09/20/2025	\$14,154.88
10/20/2025	\$14,188.42
11/20/2025	\$14,271.36
12/20/2025	\$14,309.28
01/20/2026	\$14,370.04
02/20/2026	\$14,481.44
03/20/2026	\$14,492.56
04/20/2026	\$14,566.94
05/20/2026	\$14,615.96
06/20/2026	\$14,686.86
07/20/2026	\$14,740.40
08/20/2026	\$14,803.00
09/20/2026	\$14,868.62
10/20/2026	\$5,330.56
<b>TOTAL</b>	<b>\$5,921,752.87</b>





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

**THIS PROMISSORY NOTE AND SUPPLEMENT** (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of June 19, 2003 (as amended or restated, the "MLA") is entered into as of July 14, 2010, between **JACKSON PURCHASE ENERGY CORPORATION**, a Kentucky cooperative corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

**SECTION 1. The Commitment.** On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$3,344,239.29 (the "Commitment"). CoBank's obligation to make the loan shall expire at 12:00 Noon, Company's local time, on July 20, 2010, or on such later date as CoBank may, in its sole discretion, authorize in writing.

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

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

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

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

(B) **Quoted Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 4.90% per annum through the maturity date of December 20, 2028.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and

installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

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

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

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

**SECTION 8. Security.** The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA. Without limiting the foregoing, the Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured by that certain Restated Mortgage and Security Agreement dated as of February 1, 2007, among the Company, the Government, National Rural Utilities Cooperative Finance Corporation ("CFC"), and CoBank, as same has been and may be amended, supplemented or restated from time to time (the "Mortgage")

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

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

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

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

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

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

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

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

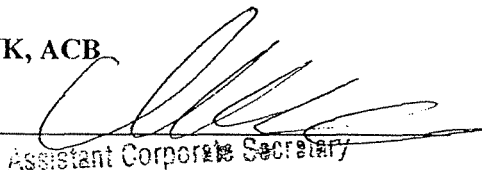
**(B) Post Closing Items.** Within 90 days of the date hereof, the Company will: (1) cause the Government and CFC to sign the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places required by Law in order for the Mortgage to accord CoBank, as security for the Company's obligations hereunder and, to the extent related hereto, the MLA a duly perfected and recorded Lien on all real property and interests in real property subject to the Mortgage; and (3) furnish to CoBank (a) recorded, file-stamped copies of the Supplemental Mortgage showing that it has been recorded in each place required above; (b) such evidence as CoBank may reasonably require that there are no Liens on any property of the Company other than Liens permitted by the Mortgage; (c) such evidence as may be satisfactory to CoBank that all taxes and other governmental charges arising from the transactions contemplated hereby or the recording of any security instrument or documents, if any, have been paid; and (d) an opinion of its counsel (which opinion and counsel must be acceptable to CoBank).

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

CoBANK, ACB

By:

Title:

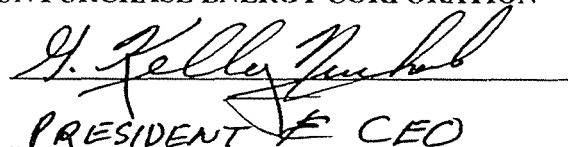
  
Assistant Corporate Secretary

**Irene Matlin**

JACKSON PURCHASE ENERGY CORPORATION

By:

Title:

  
PRESIDENT & CEO

**EXHIBIT A**

**DESCRIPTION OF RUS LOANS TO BE REFINANCED**

The Existing Loan(s) are as follows:

<b>Lender</b>	<b>RUS Loan No.</b>
RUS	1B300
RUS	1B305

## REPAYMENT SCHEDULE

PAYMENT DUE DATE	AMOUNT DUE
07/20/2010	\$8,975.48
08/20/2010	\$9,013.60
09/20/2010	\$9,507.54
10/20/2010	\$9,092.26
11/20/2010	\$9,583.98
12/20/2010	\$9,171.56
01/20/2011	\$9,210.52
02/20/2011	\$10,597.44
03/20/2011	\$9,294.62
04/20/2011	\$9,780.64
05/20/2011	\$9,375.64
06/20/2011	\$9,859.38
07/20/2011	\$9,457.32
08/20/2011	\$9,497.48
09/20/2011	\$9,977.78
10/20/2011	\$9,580.18
11/20/2011	\$10,058.16
12/20/2011	\$9,663.58
01/20/2012	\$9,704.62
02/20/2012	\$10,612.36
03/20/2012	\$9,790.90
04/20/2012	\$10,262.94
05/20/2012	\$9,876.06
06/20/2012	\$10,345.70
07/20/2012	\$9,961.92
08/20/2012	\$10,004.22
09/20/2012	\$10,470.28
10/20/2012	\$10,091.18
11/20/2012	\$10,554.78
12/20/2012	\$10,178.84
01/20/2013	\$10,222.08
02/20/2013	\$11,515.00
03/20/2013	\$10,314.38
04/20/2013	\$10,771.70
05/20/2013	\$10,403.92
06/20/2013	\$10,858.72
07/20/2013	\$10,494.22
08/20/2013	\$10,538.78
09/20/2013	\$10,989.78

10/20/2013	\$10,630.20
11/20/2013	\$11,078.64
12/20/2013	\$10,722.40
01/20/2014	\$10,767.92
02/20/2014	\$12,010.12
03/20/2014	\$10,864.66
04/20/2014	\$11,306.48
05/20/2014	\$10,958.80
06/20/2014	\$11,397.98
07/20/2014	\$11,053.74
08/20/2014	\$11,100.68
09/20/2014	\$11,535.88
10/20/2014	\$11,196.82
11/20/2014	\$11,629.30
12/20/2014	\$11,293.76
01/20/2015	\$11,341.70
02/20/2015	\$12,530.58
03/20/2015	\$11,443.08
04/20/2015	\$11,868.62
05/20/2015	\$11,542.08
06/20/2015	\$11,964.84
07/20/2015	\$11,641.90
08/20/2015	\$11,691.34
09/20/2015	\$12,109.90
10/20/2015	\$11,792.42
11/20/2015	\$12,208.12
12/20/2015	\$11,894.34
01/20/2016	\$11,944.84
02/20/2016	\$12,716.96
03/20/2016	\$12,049.58
04/20/2016	\$12,458.04
05/20/2016	\$12,153.64
06/20/2016	\$12,559.20
07/20/2016	\$12,258.60
08/20/2016	\$12,310.66
09/20/2016	\$12,711.78
10/20/2016	\$12,416.90
11/20/2016	\$12,815.04
12/20/2016	\$12,524.06
01/20/2017	\$12,577.24
02/20/2017	\$13,651.28
03/20/2017	\$12,688.62
04/20/2017	\$13,079.10



05/20/2017	\$12,798.04
06/20/2017	\$13,185.46
07/20/2017	\$12,908.40
08/20/2017	\$12,963.20
09/20/2017	\$13,345.96
10/20/2017	\$13,074.94
11/20/2017	\$13,454.54
12/20/2017	\$13,187.60
01/20/2018	\$13,243.60
02/20/2018	\$14,255.70
03/20/2018	\$13,360.38
04/20/2018	\$13,731.94
05/20/2018	\$13,475.42
06/20/2018	\$13,843.76
07/20/2018	\$13,591.44
08/20/2018	\$13,649.14
09/20/2018	\$14,012.60
10/20/2018	\$13,766.62
11/20/2018	\$14,126.76
12/20/2018	\$13,885.06
01/20/2019	\$13,944.04
02/20/2019	\$14,891.04
03/20/2019	\$14,066.48
04/20/2019	\$14,418.18
05/20/2019	\$14,187.44
06/20/2019	\$14,535.74
07/20/2019	\$14,309.42
08/20/2019	\$14,370.18
09/20/2019	\$14,713.34
10/20/2019	\$14,493.70
11/20/2019	\$14,833.36
12/20/2019	\$14,618.24
01/20/2020	\$14,680.30
02/20/2020	\$15,286.80
03/20/2020	\$14,807.56
04/20/2020	\$15,138.40
05/20/2020	\$14,934.74
06/20/2020	\$15,262.00
07/20/2020	\$15,062.96
08/20/2020	\$15,126.94
09/20/2020	\$15,448.78
10/20/2020	\$15,256.78
11/20/2020	\$15,574.96

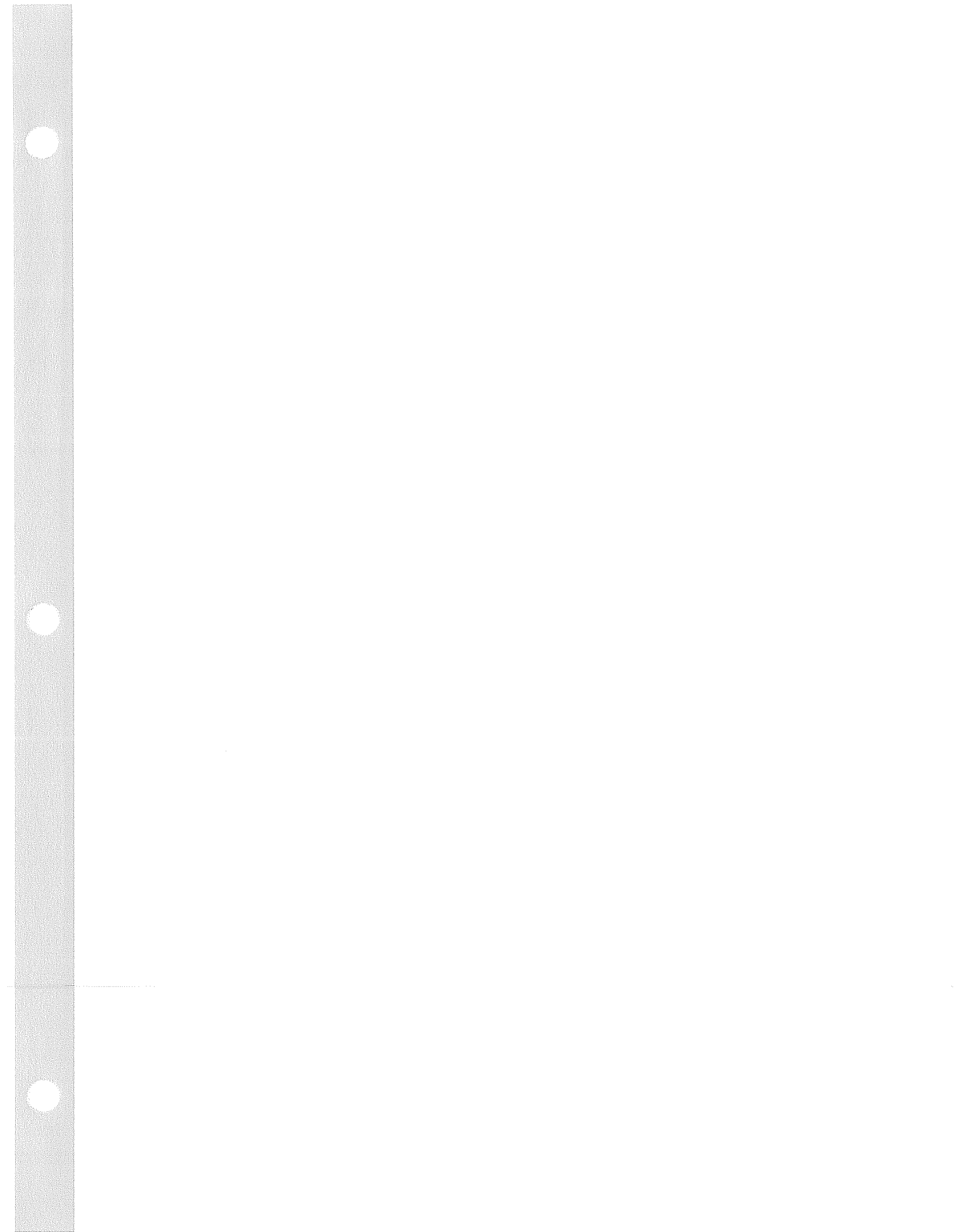
12/20/2020	\$15,387.70
01/20/2021	\$15,453.04
02/20/2021	\$16,259.82
03/20/2021	\$15,587.72
04/20/2021	\$15,896.60
05/20/2021	\$15,721.42
06/20/2021	\$16,026.54
07/20/2021	\$15,856.24
08/20/2021	\$15,923.58
09/20/2021	\$16,223.00
10/20/2021	\$16,060.08
11/20/2021	\$16,355.68
12/20/2021	\$16,197.74
01/20/2022	\$16,266.52
02/20/2022	\$16,997.68
03/20/2022	\$16,407.78
04/20/2022	\$16,693.58
05/20/2022	\$16,548.36
06/20/2022	\$16,830.20
07/20/2022	\$16,690.10
08/20/2022	\$16,760.98
09/20/2022	\$17,036.82
10/20/2022	\$16,904.50
11/20/2022	\$17,176.32
12/20/2022	\$17,049.22
01/20/2023	\$17,121.62
02/20/2023	\$17,773.32
03/20/2023	\$17,269.82
04/20/2023	\$17,531.34
05/20/2023	\$17,417.60
06/20/2023	\$17,674.96
07/20/2023	\$17,566.62
08/20/2023	\$17,641.22
09/20/2023	\$17,892.30
10/20/2023	\$17,792.12
11/20/2023	\$18,038.94
12/20/2023	\$17,944.28
01/20/2024	\$18,020.48
02/20/2024	\$18,424.76
03/20/2024	\$18,175.24
04/20/2024	\$18,411.28
05/20/2024	\$18,330.62
06/20/2024	\$18,562.28



07/20/2024	\$18,487.28
08/20/2024	\$18,565.78
09/20/2024	\$18,790.84
10/20/2024	\$18,724.42
11/20/2024	\$18,945.02
12/20/2024	\$18,884.40
01/20/2025	\$18,964.58
02/20/2025	\$19,445.00
03/20/2025	\$19,127.70
04/20/2025	\$19,336.92
05/20/2025	\$19,291.04
06/20/2025	\$19,495.68
07/20/2025	\$19,455.74
08/20/2025	\$19,538.36
09/20/2025	\$19,736.04
10/20/2025	\$19,705.16
11/20/2025	\$19,898.12
12/20/2025	\$19,873.32
01/20/2026	\$19,957.72
02/20/2026	\$20,345.82
03/20/2026	\$20,128.88
04/20/2026	\$20,309.92
05/20/2026	\$20,300.60
06/20/2026	\$20,476.82
07/20/2026	\$20,473.76
08/20/2026	\$20,560.70
09/20/2026	\$20,729.60
10/20/2026	\$20,736.06
11/20/2026	\$20,900.02
12/20/2026	\$20,912.86
01/20/2027	\$21,001.66
02/20/2027	\$21,292.76
03/20/2027	\$21,181.28
04/20/2027	\$21,332.70
05/20/2027	\$21,361.82
06/20/2027	\$21,508.16
07/20/2027	\$21,543.86
08/20/2027	\$21,635.36
09/20/2027	\$21,774.00
10/20/2027	\$21,819.70
11/20/2027	\$21,953.16
12/20/2027	\$22,005.58
01/20/2028	\$22,099.02



02/20/2028	\$22,256.38
03/20/2028	\$22,287.38
04/20/2028	\$22,407.68
05/20/2028	\$22,477.18
06/20/2028	\$22,592.14
07/20/2028	\$22,668.58
08/20/2028	\$22,764.84
09/20/2028	\$22,871.70
10/20/2028	\$22,958.64
11/20/2028	\$23,060.04
12/20/2028	\$5,414.17
<b>TOTAL:</b>	<b>\$3,344,239.29</b>



**REQUEST FOR LOAN**

**TO: CoBANK, ACB**  
**FROM: JACKSON PURCHASE ENERGY CORPORATION**  
**DATE: July 14, 2010**  
**SUBJECT: REQUEST FOR LOAN**

Reference is hereby made to those certain Promissory Notes and Supplements dated as of July 14, 2010 and numbered RX0731T7 and RX0731T8 (the "Promissory Notes and Supplements") between **JACKSON PURCHASE ENERGY CORPORATION** (the "Company") and **CoBANK, ACB** ("CoBank"). All capitalized term used herein and not defined herein shall have the meanings given to them in the Promissory Notes and Supplements.

Pursuant to Section 9 of the Promissory Notes and Supplements, the undersigned, on behalf of the Company, hereby requests that CoBank make the following loans (the "Loans") to the Company on July 19, 2010:

LOAN NO.	AMOUNT
RX0731T7	\$5,921,752.87
RX0731T8	\$3,344,239.29

The undersigned hereby (please check and complete the appropriate box):

certifies that the Company has remitted to CoBank, by wire transfer of immediately available funds to CoBank's account identified in the MLA \$ \_\_\_\_\_ to pay the Additional RUS Payment due as of the date of the Loans.

authorizes CoBank to create a loan under that certain Amended and Restated Promissory Note and Commitment Revolving Credit Supplement dated as of April 9, 2009 (the "Line of Credit Supplement") in the amount of \$26,917.94 to pay the Additional RUS Payments due as of the date of the Loan. The loan authorized shall bear interest at the variable rate option provided for in Section 4(A) of the Line of Credit Supplement.

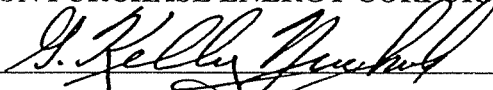
Please wire transfer the proceeds of the Loan, together with the proceeds of the loan made to finance the Additional RUS Payment, directly to the Government in accordance with the following wire transfer instructions:

ABA or Routing Transit No.: 021030004  
Financial Institution: TREAS NYC  
Beneficiary ID or ALC: 12200408  
Beneficiary Name: TREASURY  
Beneficiary Address: NY  
Borrower Name: Jackson Purchase Energy Corporation  
Borrower Address: 2900 Irvin Cobb Drive, Paducah, Kentucky 42003  
Borrower Reference/Case No.: KY-20

The authorization provided for herein shall be deemed to be a Special Wire and Electronic Transfer Authorization Form within the meaning of the Company's Delegation And Wire And Electronic Transfer Authorization form.

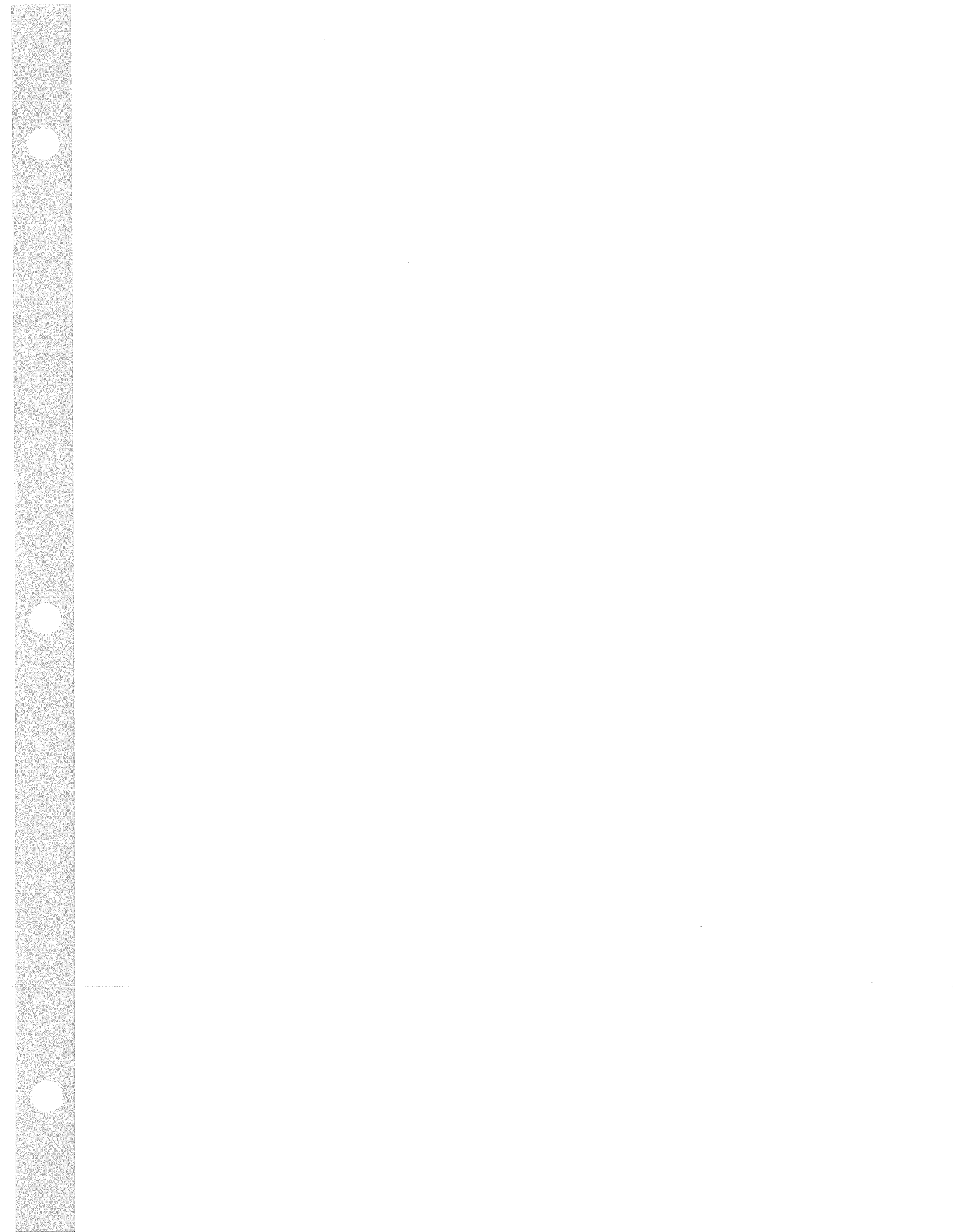
To induce CoBank to make the Loans, I hereby certify as follows: (1) upon receipt by the Government of the proceeds of the Loans and the proceeds of the loan made to finance the Additional RUS Payment, all of the Company's obligations to the Government under the Existing Loan(s) will be discharged in full; (2) no "Event of Default" (as defined in the Mortgage or the MLA) has occurred and is continuing, and no event which with the giving of notice or lapse of time or both would become an "Event of Default" (as defined in the Mortgage or the MLA) has occurred and is continuing; (3) each of the representations and warranties set forth in the MLA and the Promissory Note and Supplement is true and correct as of the date hereof; and (4) the Company has satisfied all conditions precedent set forth in the Promissory Note and Supplement and the MLA to CoBank's obligation to make the Loans.

**JACKSON PURCHASE ENERGY CORPORATION**

By: 

Its: PRESIDENT & CEO

(Must be signed by an authorized employee or officer)



**U.S. DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
ST. LOUIS, MO 63120-0011**

**PAYOFF STATEMENT**

**BORROWER:** JACKSON PURCHASE ENERGY CORP  
PO BOX 4030  
PADUCAH, KY 42002-4030  
Voice Phone No: 270-441-0825  
Fax No: 270-442-5337  
E-Mail Address: Chuck.Williamson@jpenergy.com

**REQUESTED BY:** Chuck Williamson

**REFERENCE NUMBER:** 21-0020

The following amount is required to payoff your long-term obligation for the following Rural Utility Service (RUS) loans as of July 19, 2010

Loan Program: RET - ELECTRIC	Principal	\$	9,265,992.16
	Interest Due	\$	26,917.94
	<b>RET TOTAL DUE</b>	<b>\$</b>	<b>9,292,910.10</b>

**PAYOFF AMOUNT DUE \$ 9,292,910.10**

Failure to remit funds on the due date will result in the accrual of additional interest. Please see attached detail listing of accounts in support of the payoff amount due shown above.

Before your payoff date, please respond by fax or e-mail to confirm your final payoff amount. If applicable, delete any accounts in the detail listing you wish to not payoff and revise your total in this memo. Direct your response by fax to 314-457-4283 or 314-457-4284 or by email to [rd.dcfo.RUS@stl.usda.gov](mailto:rd.dcfo.RUS@stl.usda.gov).

ANN BRADLEY  
RUS TEAM LEADER, DIRECT LOAN & GRANT BRANCH  
RURAL DEVELOPMENT  
(314)-457-4045

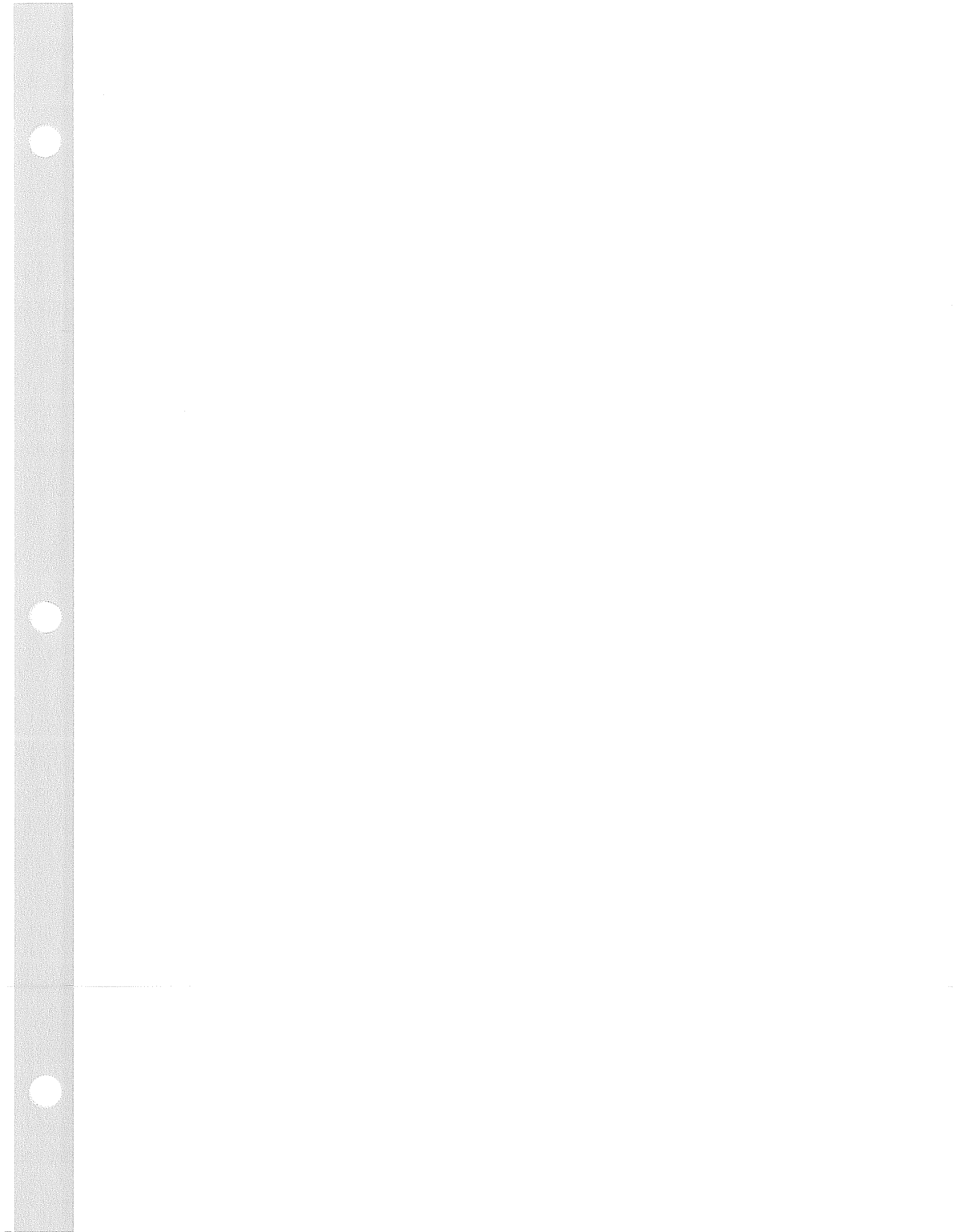
CC: Team Leader

Submitted: 7/12/2010 12:27

**RET PAYOFF DETAILS  
FOR JACKSON PURCHASE ENERGY CORP  
AS OF July 19, 2010**

ENTITY	LOAN DESIGNATION	YEAR LOAN	ACCOUNT NUMBER	INTEREST RATE	INTEREST DUE	PRINCIPAL DUE	PAYOFF DUE	
JACKSON PURCHASE ENERGY CORF REFERENCE NUMBER: 21-0020	AD7	1991	1B260	5.000%	\$ 2,287.46	\$ 340,783.66	\$ 343,071.12	
	AD7	1991	1B262	5.000%	\$ 2,287.46	\$ 340,784.88	\$ 343,072.34	
	AE6	1991	1B270	5.000%	\$ 1,863.16	\$ 715,844.14	\$ 717,707.30	
	AE6	1991	1B273	5.000%	\$ 1,918.90	\$ 737,262.58	\$ 739,181.48	
	AF7	1991	1B280	5.000%	\$ 2,299.01	\$ 883,301.10	\$ 885,600.11	
	AF7	1991	1B281	5.000%	\$ 0.79	\$ 306.06	\$ 306.85	
	AF7	1991	1B283	5.000%	\$ 2,364.40	\$ 908,425.84	\$ 910,790.24	
	AG7	1991	1B290	5.000%	\$ 2,596.27	\$ 997,515.84	\$ 1,000,112.11	
	AG7	1991	1B292	5.000%	\$ 2,596.27	\$ 997,515.84	\$ 1,000,112.11	
	AH7	1993	1B300	5.000%	\$ 4,352.11	\$ 1,672,126.11	\$ 1,676,478.22	
	AH7	1993	1B305	5.000%	\$ 4,352.11	\$ 1,672,126.11	\$ 1,676,478.22	
	<b>TOTAL DUE =</b>					<b>\$26,917.94</b>	<b>\$9,265,992.16</b>	<b>\$9,292,910.10</b>





**RUS PROJECT DESIGNATION:**

**KENTUCKY 20-AP44 MCCRACKEN**

**RESTATED MORTGAGE  
AND  
SECURITY AGREEMENT**

made by and among

**JACKSON PURCHASE ENERGY CORPORATION**  
2900 Irvin Cobb Drive  
Paducah, Kentucky 42003,

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,

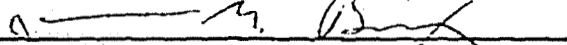
Mortgagee, and

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

Mortgagee

Dated as of February 1, 2007

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 \$100,000,000.00.  
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 TERENCE M. BRADY, ASSISTANT GENERAL COUNSEL, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.

  
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598.

No. 12

Generated: January 29, 2007

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RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of February 1, 2007 (hereinafter sometimes called this "Mortgage"), is made by and among JACKSON PURCHASE ENERGY CORPORATION (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 November 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 Notcholder, 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 Notcholder 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 Notcholder, 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 judgement 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 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, JACKSON PURCHASE ENERGY CORPORATION, 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.

JACKSON PURCHASE ENERGY CORPORATION

by *Gary L Joiner*, Chairman

(Seal)

Attest: *Wayne Elliott*  
Secretary

Executed by the Mortgagor  
in the presence of:

*[Signatures]*  
Witnesses

UNITED STATES OF AMERICA

by *Joseph S. Badin*

Joseph S. Badin

Director - Northern  
Regional Division  
of the  
Rural Utilities Service

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

*Sara Wetklow*  
*IVET FIGUEROA*  
Witnesses

Sara Wetklow

IVET FIGUEROA

NATIONAL RURAL UTILITIES COOPERATIVE  
FINANCE CORPORATION

by *Amy S. Luongo*

AMY S. LUONGO

Assistant Secretary-Treasurer

(SEAL)

Attest:

Assistant Secretary-Treasurer

*Bryan Russell*

Bryan Russell

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

*Bruce Macneil*  
*Eileen Iciek*  
Witnesses

BRUCE MACNEIL

Eileen Iciek

COBANK, ACB

by 

**Penny Probasco**

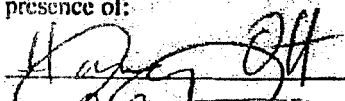
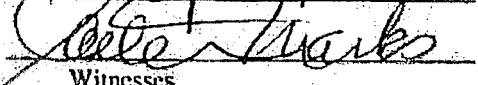
Assistant Corporate Secretary

(SEAL)

Attest:

  
Assistant Corporate Secretary

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

  
  
Witnesses

COMMONWEALTH OF KENTUCKY )  
 ) SS  
COUNTY OF *McCracken* )

I, *Melanie J Wyatt Carter*, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that *Gary L Joiner* personally known to me to be the Chairman of Jackson Purchase Energy Corporation, a corporation of the Commonwealth of Kentucky, and to me known to be the identical person whose name is as Chairman 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 Chairman he 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 *27th* day of *September*, 20*07*.

*Melanie J Wyatt Carter*  
Notary Public  
in and for *McCracken* County, Kentucky

(Notarial Seal)

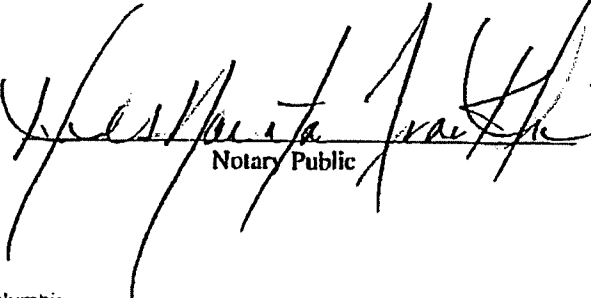
My Commission expires: *5/4/2010*

DISTRICT OF COLUMBIA )

SS

On this 1 day of February, 2007, personally appeared before me  
Joseph S. Badin who, being duly sworn, did say that he is the Director -  
Northern Regional Division 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, he 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.

  
Notary Public

(Notarial Seal)

DeShaunta L. Franklin  
Notary Public, District of Columbia  
My Commission Expires 9-30-2010

My commission expires: \_\_\_\_\_

COMMONWEALTH OF VIRGINIA )

) SS

COUNTY OF FAIRFAX )

On this 4<sup>th</sup> day of February, 20 07, before me appeared AMY S. LUONGO

, 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.

*Iliyana I. Mihallov*  
Notary Public

(Notarial Seal)

Iliyana I. Mihallov  
NOTARY PUBLIC  
Commonwealth of Virginia  
My Commission Expires 7-31-09

My commission expires: \_\_\_\_\_

STATE OF COLORADO

)  
) ss.  
)

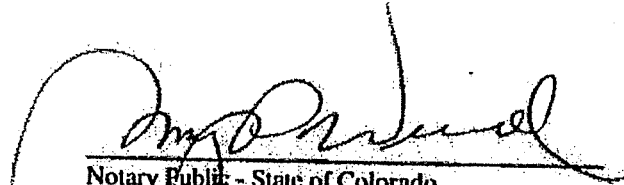
COUNTY OF ARAPAHOE

This instrument was acknowledged before me on February 13, 2007, by  
Penny Probasco and Robert Pace, 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:

June 9, 2010

  
\_\_\_\_\_  
Notary Public - State of Colorado  
Amy P. Weisbrod

**SCHEDULE A: Part One**

1. The Maximum Debt Limit referred to in Section 1.01 is \$100,000,000.00
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:**

Jackson Purchase Energy Corporation  
2900 Irvin Cobb Drive  
Paducah, Kentucky 42003

**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:

<u>Instrument Title</u>	<u>Instrument Date</u>
Restated Mortgage and Security Agreement	November 1, 1999
Supplemental Mortgage	May 1, 2001
Supplemental Mortgage and Security Agreement	September 2, 2003



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>
V2	\$705,000.00	26 Sep 1972	26 Sep 2007	2.00
AD7	\$1,855,000.00	25 Aug 1982	25 Aug 2017	5.00
AE6	\$3,184,000.00	20 Sep 1984	20 Sep 2019	5.00
AF7	\$2,967,000.00	26 Oct 1988	26 Oct 2023	5.00
AG7	\$2,892,000.00	26 Dec 1991	26 Dec 2026	5.00
AH7	\$4,483,000.00	24 Feb 1994	24 Feb 2029	5.00
AK42	\$4,900,000.00	8 May 1996	8 May 2031	5.00
AL42	\$6,726,000.00	1 Nov 1999	1 Nov 2034	5.00
AN8 <sup>3</sup>	\$18,590,000.00	1 May 2001	31 Dec 2035	V
AM44	\$7,832,000.00	1 May 2001	1 May 2036	V
AP44	\$2,833,000.00	1 Feb 2007	1 Feb 2041	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.

<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**

<b><u>CFC Loan Designation</u></b>	<b><u>Face Amount of Note</u></b>	<b><u>Note Date</u></b>	<b><u>Maturity Date</u></b>
9001	\$1,392,000.00	09/20/1984	09/20/2019

**SCHEDULE A: PART Three**

**CoBank**

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**

Payor: Jackson Purchase Energy Corporation

<u>Note</u> <u>Designation</u>	<u>Face</u> <u>Amount</u>	<u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Rate</u>
R1ML0731T2	\$1,921,000.00	June 19, 2003	Feb. 20, 2029	V
R1ML0731T3	\$1,240,000.00	June 19, 2003	June 20, 2026	V
R1ML0731T5	\$1,271,000.00	June 19, 2003	June 15, 2023	V
R1ML0731T6	\$4,158,599.15	Sept. 2, 2003	Nov. 30, 2013	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 6 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: the Counties of Ballard, Carlisle, Graves, Livingston, Marshall and McCracken 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 October 14, 1977, between the Mortgagor and Big Rivers Electric Corporation.

- (a) all that certain tract of land described in a certain deed, dated November 21, 1939, executed by Mary Elizabeth Section, et al, as grantors, to the mortgagor, as grantee, and recorded on December 8, 1939, in the office of the County Court Clerk of Livingston County, Kentucky, in Deed Book 62, page 483;
- (b) all that certain tract of land described in a certain deed, dated August 13, 1948, executed by C. D. McCaw and Ollie McCaw, his wife, as grantors, to the mortgagor as grantee, and recorded on September 30, 1948, in the office of the County Court Clerk of Ballard County, Kentucky, in Deed Book 54, page 225;
- (c) all that certain tract of land described in a certain deed, dated June 8, 1950, executed and delivered by Stephen A. Cuij and Rosa L. Cuij, his wife, as grantors, to the mortgagor, as grantee, recorded on September 20, 1950, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky in Deed Book 291, page 18;
- (d) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed dated May 15, 1956, executed and delivered by Artelle Holton, County Judge and W. J. O'Briens, Jr., County Clerk, pursuant to order of Marshall County Fiscal Court, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Marshall, on April 24, 1959, in Deed Book 101, at page 406;
- (e) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated September 12, 1958, executed and delivered by Leon Koon and Jean Koon, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Livingston, on February 16, 1958, in Deed Book 87, at page 548;

- (f) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated March 21, 1962, executed and delivered by Mrs. Lina Loyd (also Lloyd) a widow, et al, as grantors, to the mortgagor, as grantee, and recorded in deed records of the County of Livingston on April 6, 1962, in Deed Book 92, at page 49;
- (g) a certain tract or parcel of land situated in Graves County, Commonwealth of Kentucky, described in a certain deed, dated June 16, 1963, executed and delivered by William Oscar Leonard and Ethel Leonard, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Graves on September 3, 1964, in Deed Book 192, at page 445;
- (h) all realty described in a certain deed dated November 4, 1968, executed and delivered by Urban Renewal and Community Development Agency of the City of Paducah, Kentucky, a body politic and corporate under the laws of Kentucky, as grantor, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 503, at page 114;
- (i) all realty described in a certain deed dated January 23, 1969, executed and delivered by John C. Walsh et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 507, at pages 1 et seq;
- (j) all that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 4, 1970, executed and delivered by W. E. and Imogene Miller, as grantors, to the mortgagor, as grantee, and recorded on the 7th day of May, 1970 in the office of the County Clerk of Ballard County, Kentucky in Book (Cabinet 1, Drawer 2), No. 683;
- (k) all that certain tract or parcel of land together with all improvements thereon, described in a certain deed, dated May 28, 1970, executed and delivered by Mutual Security Investment Corporation, as grantor, to the mortgagor, as grantee, and recorded on the 28th day of May, 1970, in the office of the County Clerk of Marshall County, Kentucky, in Book 138, page 440 as corrected by correction deed dated June 28, 1971, and filed on the 6th day of July, 1971, in the office of the County Clerk of Marshall County in Book 143, page 408;

- (l) all realty described in a certain deed dated October 8, 1965, executed and delivered by Doran E. Perdue, Trustee, as grantor, to the mortgagor, as grantee and recorded in the office of the Clerk of the County Court of Livingston County, Kentucky, in Deed Book 98, page 294;
- (m) all realty described in a certain deed dated December 19, 1969, executed and delivered by Louis Bradley, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky in Deed Book 107, page 375;
- (n) all realty described in a certain deed dated January 25, 1968, executed and delivered by Robert Flowers, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court, in Deed Book 540, page 156;
- (o) all realty described in a certain deed dated February 21, 1953, executed and delivered by Thomas D. McDougal, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court in Deed Book 331, page 199;
- (p) all realty described in a certain deed dated June 3, 1969, executed and delivered by Robert Yarbrough, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Ballard County, Kentucky in Cabinet 1, Drawer 2, instrument no. 425;
- (q) all realty described in a certain deed dated October 25, 1953, executed and delivered by Odell Adams, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 404, page 133;
- (r) all realty described in a certain, deed dated January 19, 1973, executed and delivered by Stoy M. Gates, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky, in Deed Book 116, page 36;
- (s) all realty described in a certain deed dated October 12, 1974, executed and delivered by C. L. and Virginia Slayden, husband and wife, as grantors to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 551, page 233;

- (t) a certain tract of land described in a certain deed dated March 16, 1976, by Abram and Evelyn Allen, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 580, page 298;
- (u) a certain tract of land described in a certain deed dated January 29, 1976, by Leslle A. and Lucille E. Feast, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 834;
- (v) a certain tract of land described in a certain deed, dated October 10, 1975 by Eva Pauline Hatcher, a widow, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 70;
- (w) a certain tract of land described in a certain deed dated June 30, 1976, by *Essex Group, Inc.*, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 584, page 139;
- (x) a certain tract of land described in a certain deed dated October 7, 1976, by Bob Morris Builders, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 126, page 571;
- (y) a certain tract of land described in a certain deed dated June 1, 1978 by Mary and Kermit R. McKinney, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 131, page 473;
- (z) a certain tract of land described in a certain deed dated September 27, 1977 by Mildred and Elvis L. Emerson, husband and wife, as grantors, to the mortgagor, as grantee and recorded in the office of the County Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 128, page 354;



- (aa) a certain tract of land described in a certain deed dated July 21, 1978 by Martha and Edward L. Reid, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Graves County in the Commonwealth of Kentucky, in Deed Book 269, page 715;
- (ab) a certain tract of land described in a certain deed, dated July 24, 1978, by Pearl and Leon M. Toon, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 608, page 135;
- (ac) a certain tract of land described in a certain deed, dated September 30, 1980 by Lonnie Smith, Charlene Smith, Charles Smith and Dorothy Smith as grantors to the mortgagor, as grantee and recorded in the office of the County Court Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 186, page 681;
- (ad) a certain tract of land described in a certain deed, dated November 13, 1981, by Richard and Alice Shelby, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk in Ballard County in the Commonwealth of Kentucky in Microfilm Cabinet 1, Drawer 9, Card 13.718;
- (ae) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated June 27, 1988, executed and delivered by Charles A. Williams and Ruth W. Williams, his wife, as grantors, to the mortgagor, as grantee, recorded on June 27, 1988, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky, in Deed Book 715, page 411;
- (af) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated October 15, 1991, executed and delivered by Shell Pipe Line Corporation, as grantor, to the mortgagor, as grantee, recorded on November 12, 1991 in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 761, Page 684;

- (ag) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated August 27, 1999, executed and delivered by Vulcan Materials Company, as grantor, to the mortgagor, as grantee, recorded on December 15, 1999, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 197, page 527;
- (ah) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated March 15, 2000, executed and delivered by Strawberry Hill LLC, as grantor, to the mortgagor, as grantee, recorded on March 16, 2000, in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 932, page 756.
- (ai) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed, dated August 13, 2001, executed and delivered by Terry and Phyllis Tucker, husband and wife, as grantors, to the mortgagor, as grantee, recorded on August 13, 2001, in the office of the Clerk of the County Court, Marshall County in the Commonwealth of Kentucky in Deed Book 332, page 42;
- (aj) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated June 4, 2004, executed and delivered by Cumberland River Resources, LLC, as grantor, to the mortgagor, as grantee, recorded on June 10, 2004, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 214, page 467.

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

None.



**Exhibit B**

**Form of Supplemental Mortgage**

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 A**

**Maximum Debt Limit and Other Information**

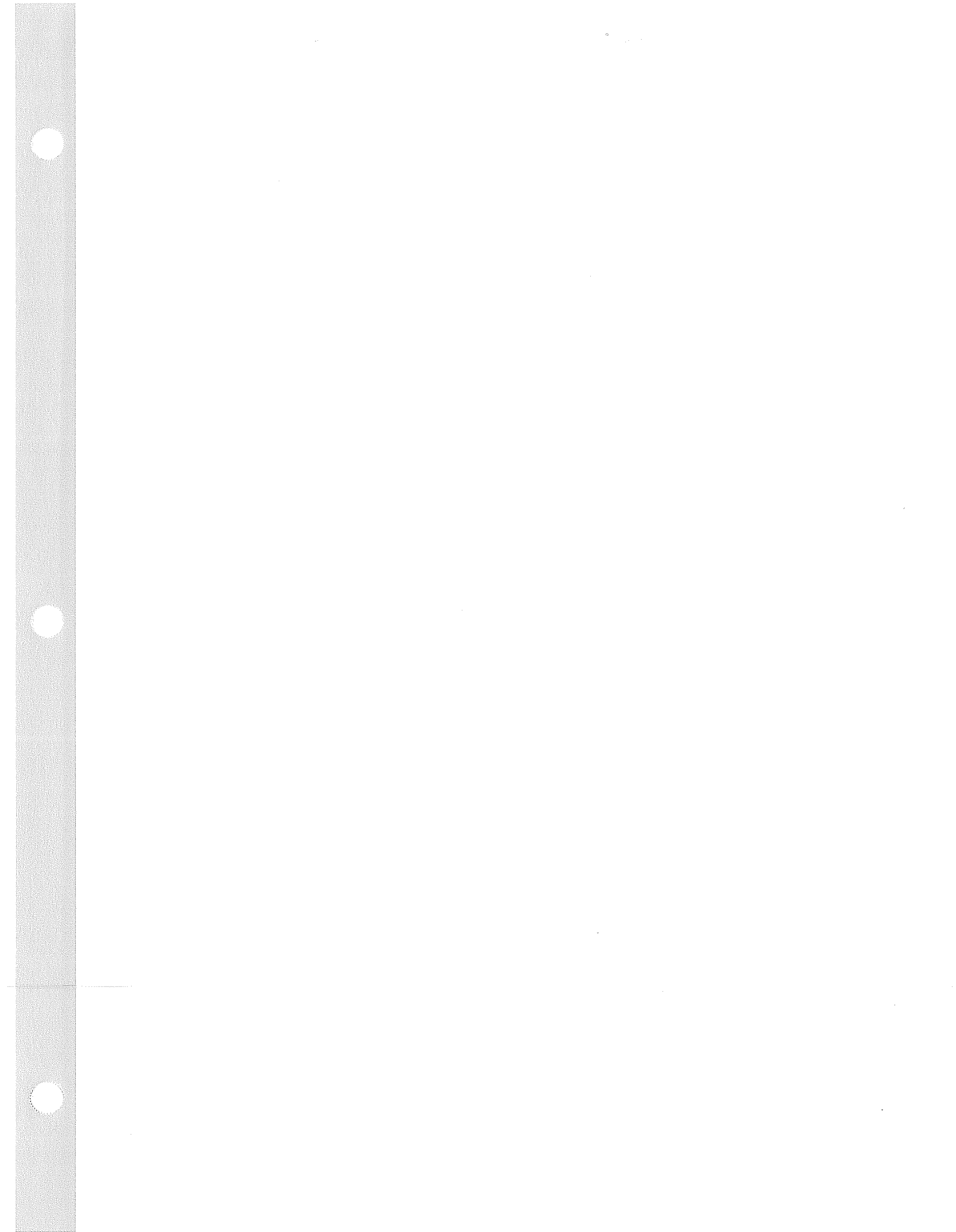
1. The Maximum Debt Limit is \$ \_\_\_\_\_.
2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows: \_\_\_\_\_.
3. The Outstanding Notes referred to in the fourth WHEREAS clause above are more particularly described as follows:
4. The Additional Notes described in the sixth WHEREAS clause above are more particularly described as follows:

**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.





UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

2007-2273646-59.01

Kentucky Secretary of State
File Date 10/2/2007 4:30:00 PM
Status Active
Fee \$20.00

A. NAME & PHONE OF CONTACT A FILER (optional)
B. SEND ACKNOWLEDGMENT TO: (Name and Address)
National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, VA 20171-3025
Attn: Legal Administrative Assistant

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME: Jackson Purchase Energy Corporation
1b. INDIVIDUAL'S LAST NAME, FIRST NAME, MIDDLE NAME, SUFFIX
1c. MAILING ADDRESS: 2900 Irvin Cobb Drive, Paducah, KY 42003, USA
1d. TAX ID #, SSN OR EIN, ADDL INFO RE ORGANIZATION DEBTOR, 1e. TYPE OF ORGANIZATION: Corporation, 1f. JURISDICTION OF ORGANIZATION: Kentucky, 1g. ORGANIZATIONAL ID #, if any: 25598

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME
2b. INDIVIDUAL'S LAST NAME, FIRST NAME, MIDDLE NAME, SUFFIX
2c. MAILING ADDRESS
2d. TAX ID #, SSN OR EIN, ADDL INFO RE ORGANIZATION DEBTOR, 2e. TYPE OF ORGANIZATION, 2f. JURISDICTION OF ORGANIZATION, 2g. ORGANIZATIONAL ID #, if any

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR E/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME: United States of America, Rural Utilities Service, USDA
3b. INDIVIDUAL'S LAST NAME, FIRST NAME, MIDDLE NAME, SUFFIX
3c. MAILING ADDRESS: 1400 Independence Avenue, S.W., Washington, DC 20250-1500, USA

4. This FINANCING STATEMENT covers the following collateral:

Refer to Attachments "A" and "B" attached hereto and incorporated herein.

5. ALTERNATIVE DESIGNATION (if applicable): LESSOR/LESSOR, CONSIGNEE/CONSIGNOR, BAILEE/BAILOB, SELLER/BUYER, AG. LIEN, NON-UCC FILING
6. THE FINANCING STATEMENT IS TO BE FILED (or recorded) IN THE PUBLIC ESTATE RECORDS. ATTEN: ADDRESS:
7. CHECK TO REQUEST SEARCH REPORT(S) ON DEBTOR(S) (additional fee) All Debtors, Debtor 1, Debtor 2

8. OPTIONAL FILER REFERENCE DATA
Kentucky 20-AP44 McCracken

# UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

## 9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

1a. ORGANIZATION'S NAME Jackson Purchase Energy Corporation			
OR	1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME/SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

## 11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME					
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. TAX ID #: SSN OR EIN	ADDL. INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any	

12. <input checked="" type="checkbox"/> ADDITIONAL SECURED PARTY'S or <input type="checkbox"/> ASSIGNOR S/P'S NAME - Insert only one name (12a or 12b)	<input type="checkbox"/> NONE				
12a. ORGANIZATION'S NAME National Rural Utilities Cooperative Finance Corporation					
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS 2201 Cooperative Way		CITY Herndon	STATE VA	POSTAL CODE 20171-3025	COUNTRY USA

13. This FINANCING STATEMENT covers  Member to be out of  all-extracted collateral, or is filed as a  future filing.

14. Description of real estate:

Refer to Attachment "B" attached hereto and incorporated by reference herein.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.  
Debtor is a  Trust or  Trustee acting with respect to property held in trust or  Decedent's Estate

18. Check only if applicable and check only one box.  
 Debtor is a TRANSMITTING UTILITY  
 Filed in connection with a Manufactured-Home Transaction -- effective 30 years  
 Filed in connection with a Public Finance Transaction -- effective 30 years

### UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME  
**Jackson Purchase Energy Corporation**

OR

9b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

11c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

11d. TAX ID #: ESN OR EIN ADDL. INFO RE ORGANIZATION DEBTOR 11e. TYPE OF ORGANIZATION 11f. JURISDICTION OF ORGANIZATION 11g. ORGANIZATIONAL ID #, if any  NONE

12.  ADDITIONAL SECURED PARTY'S or  ASSIGNOR S/P'S NAME - Insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME  
**CoBank, ACB**

OR

12b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

12c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY  
**P.O. Box 5110 Denver CO 80217 USA**

13. This FINANCING STATEMENT covers  timber to be cut or  as-extracted collateral, or is filed as a  fixture filing

14. Description of real estate:  
**Refer to Attachment "B" attached hereto and incorporated by reference herein.**

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

18. Additional collateral description:

17. Check only if applicable and check only one box.  
 Debtor is a  Trust or  Trustee acting with respect to property held in trust or  Decedent's Estate

18. Check only if applicable and check only one box.  
 Debtor is a TRANSMITTING UTILITY  
 Filed in connection with a Manufactured-Home Transaction -- effective 30 years  
 Filed in connection with a Public-Finance Transaction -- effective 30 years

## Attachment A

Debtor: Jackson Purchase Energy Corporation

All property, assets, rights, privileges and franchises of the Debtor 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 Debtor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following (hereinafter sometimes called the "Collateral"):

## FIRST

- A. all of those fee and leasehold interests in real property set forth in Attachment "B" hereto, subject in each case to those matters set forth in such Attachment;
- B. all of the Debtor'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 located in the Counties listed in Attachment "B" hereto;
- C. all right, title and interest of the Debtor in and to those contracts of the Debtor
  - (i) relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Debtor,
  - (ii) for the purchase of electric power and energy by the Debtor and having an original term in excess of 3 years,
  - (iii) for the sale of electric power and energy by the Debtor 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 Debtor 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 Attachment "B" are hereby made a part of, and deemed to be described in, this clause as fully as if set forth in this 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

Debtor: Jackson Purchase Energy Corporation

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 Debtor 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;

#### SECOND

With the exception of Excepted Property, all right, title and interest of the Debtor 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);

#### THIRD

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

#### FOURTH

With the exception of Excepted Property, all right, title and interest of the Debtor in, to and under any and all books, records and correspondence relating to the Collateral, 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 Collateral;

#### 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 be hereafter acquired by the Debtor, but excluding Excepted Property, now owned or which may be hereafter acquired by the Debtor, it being the intention hereof that all property, rights, privileges, allowances and franchises now owned by the Debtor or acquired by the Debtor 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;

Debtor: Jackson Purchase Energy Corporation

#### 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 Debtor or by anyone in its behalf; and any Secured Party is hereby authorized to receive the same at any time as additional security hereunder for the benefit of all the Secured Parties. 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 Debtor or the person so acting in its behalf or by such Secured Party respecting the use and disposition of such property or the proceeds thereof.

#### SEVENTH

Together with 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 Collateral, and all other property of any nature appertaining to any of the plants, systems, business or operations of the Debtor, 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 Debtor, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Debtor in and to the same and every part thereof (other than Excepted Property with respect to any of the foregoing).

Debt Jackson Purchase Energy Corporation

### EXCEPTED PROPERTY

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

- A. all shares of stock, securities or other interests of the Debtor 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 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 Debtor under leases for an original term (including any period for which the Debtor 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 Debtor and whether falling within a general or specific description of property herein: PROVIDED, HOWEVER, that the Debtor covenants and agrees that it will hold each such last day in trust for the use and benefit of all of the Secured Parties and that it will dispose of each such last day from time to time in accordance with such written order as the Secured Party 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 the mortgage and security agreement by and among Debtor and Secured Parties (the "Mortgage"), whether now owned or hereafter acquired by the Debtor, which by their terms or by reason of applicable law, would become void or voidable if mortgaged or pledged hereunder by the Debtor, or which cannot be granted, conveyed, mortgaged, transferred or assigned by the Mortgage without the consent of other parties whose consent has been withheld, or without subjecting any Secured Party to a liability not otherwise contemplated by the provisions of the Mortgage, or which otherwise may not be, hereby lawfully and effectively granted, conveyed, mortgaged, transferred and assigned by the Debtor; and
- J. the property, if any, identified in Attachment "C" hereto.

PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default (as defined in the Mortgage), any Secured Party, or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Collateral, all the Excepted



Debtor: Jackson Purchase Energy Corporation

Property described or referred to in the foregoing Subdivisions A through H, inclusive, then owned or thereafter acquired by the Debtor shall immediately, and in the case of any Excepted Property described or referred to in Subdivisions I through J, inclusive, upon demand of any Secured Party or such receiver, become subject to the lien hereof to the extent permitted by law, and any Secured Party 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 Collateral shall have been restored to the Debtor, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent and otherwise as hereinabove set forth.

**ATTACHMENT B**

Debtor: Jackson Purchase Energy Corporation

- (a) all that certain tract of land described in a certain deed, dated November 21, 1939, executed by Mary Elizabeth Section, et al, as grantors, to the mortgagor, as grantee, and recorded on December 8, 1939, in the office of the County Court Clerk of Livingston County, Kentucky, in Deed Book 62, page 483;
- (b) all that certain tract of land described in a certain deed, dated August 13, 1948, executed by C. D. McCaw and Ollie McCaw, his wife, as grantors, to the mortgagor as grantee, and recorded on September 30, 1948, in the office of the County Court Clerk of Ballard County, Kentucky, in Deed Book 54, page 225;
- (c) all that certain tract of land described in a certain deed, dated June 8, 1950, executed and delivered by Stephen A. Culp and Rosa L. Culp, his wife, as grantors, to the mortgagor, as grantee, recorded on September 20, 1950, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky in Deed Book 291, page 18;
- (d) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed dated May 15, 1956, executed and delivered by Artelle Holton, County Judge and W. J. O'Briens, Jr., County Clerk, pursuant to order of Marshall County Fiscal Court, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Marshall, on April 24, 1959, in Deed Book 101, at page 406;
- (e) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated September 12, 1958, executed and delivered by Leon Koon and Jean Koon, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Livingston, on February 16, 1958, in Deed Book 87, at page 548;

Debtor: Jackson Purchase Energy Corporation

- (f) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated March 21, 1962, executed and delivered by Mrs. Una Loyd (also Lloyd) a widow, et al, as grantors, to the mortgagor, as grantee, and recorded in deed records of the County of Livingston on April 6, 1962, in Deed Book 92, at page 49;
- (g) a certain tract or parcel of land situated in Graves County, Commonwealth of Kentucky, described in a certain deed, dated June 16, 1963, executed and delivered by William Oscar Leonard and Ethel Leonard, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Graves on September 3, 1964, in Deed Book 192, at page 445;
- (h) all realty described in a certain deed dated November 4, 1968, executed and delivered by Urban Renewal and Community Development Agency of the City of Paducah, Kentucky, a body politic and corporate under the laws of Kentucky, as grantor, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 503, at page 114;
- (i) all realty described in a certain deed dated January 23, 1969, executed and delivered by John C. Walsh et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 507, at pages 1 et seq;
- (j) all that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 4, 1970, executed and delivered by W. E. and Imogene Miller, as grantors, to the mortgagor, as grantee, and recorded on the 7th day of May, 1970 in the office of the County Clerk of Ballard County, Kentucky in Book (Cabinet 1, Drawer 2), No. 683;
- (k) all that certain tract or parcel of land together with all improvements thereon, described in a certain deed, dated May 28, 1970, executed and delivered by Mutual Security Investment Corporation, as grantor, to the mortgagor, as grantee, and recorded on the 28th day of May, 1970, in the office of the County Clerk of Marshall County, Kentucky, in Book 138, page 440 as corrected by correction deed dated June 28, 1971, and filed on the 6th day of July, 1971, in the office of the County Clerk of Marshall County in Book 143, page 408;

Debtor: Jackson Purchas Energy Corporation

- (l) all realty described in a certain deed dated October 8, 1965, executed and delivered by Doran E. Perdue, Trustee, as grantor, to the mortgagor, as grantee and recorded in the office of the Clerk of the County Court of Livingston County, Kentucky, in Deed Book 98, page 294;
- (m) all realty described in a certain deed dated December 19, 1969, executed and delivered by Louis Bradley, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky in Deed Book 107, page 375;
- (n) all realty described in a certain deed dated January 25, 1968, executed and delivered by Robert Flowers, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court, in Deed Book 540, page 156;
- (o) all realty described in a certain deed dated February 21, 1953, executed and delivered by Thomas D. McDougal, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court in Deed Book 331, page 199;
- (p) all realty described in a certain deed dated June 3, 1969, executed and delivered by Robert Yarbrough, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Ballard County, Kentucky in Cabinet 1, Drawer 2, Instrument no. 425;
- (q) all realty described in a certain deed dated October 25, 1953, executed and delivered by Odell Adams, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 404, page 133;
- (r) all realty described in a certain, deed dated January 19, 1973, executed and delivered by Stoy M. Gates, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky, in Deed Book 116, page 36;
- (s) all realty described in a certain deed dated October 12, 1974, executed and delivered by C. L. and Virginia Slayden, husband and wife, as grantors to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 551, page 233;

Debtor: Jackson Purchase Energy Corporation

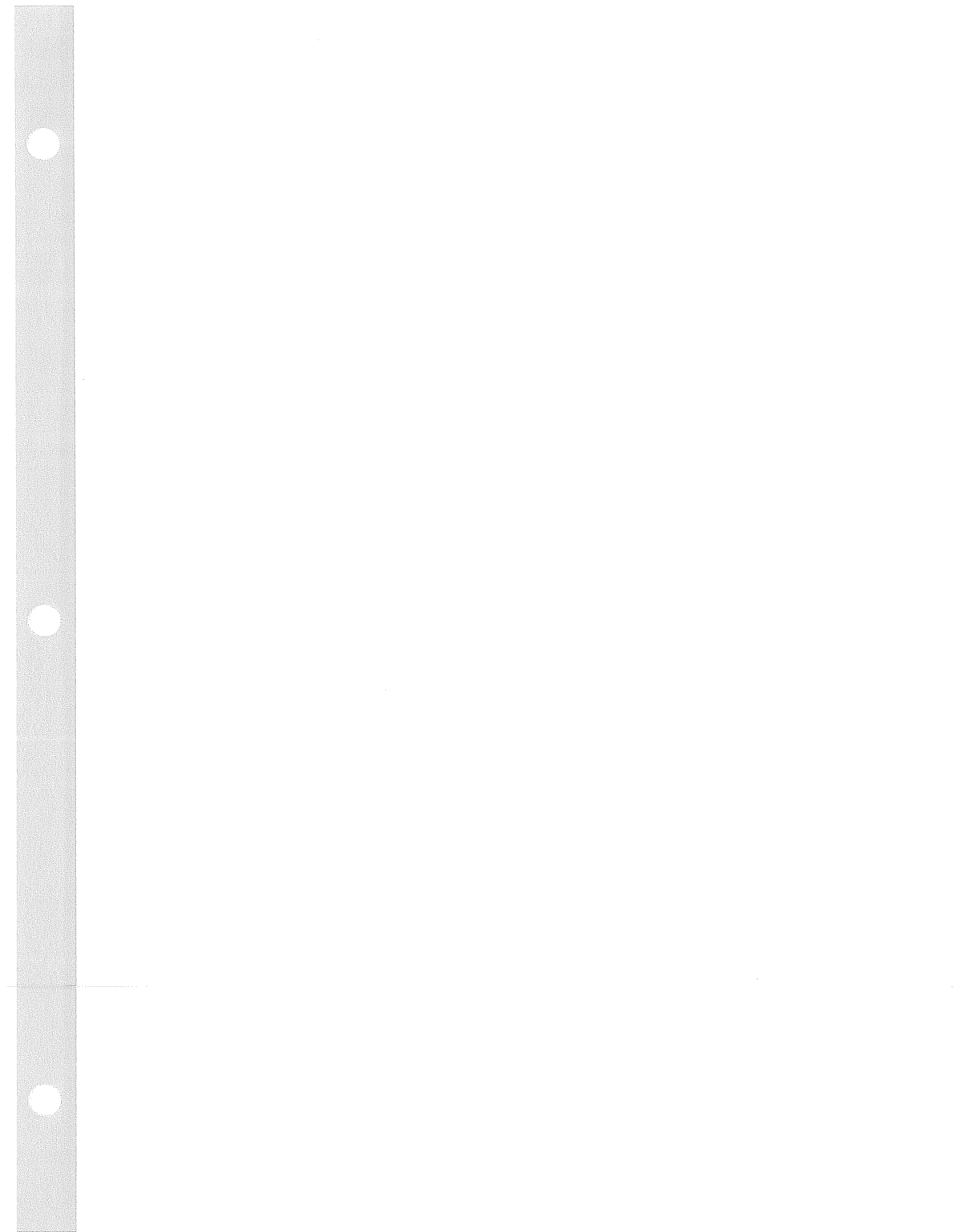
- (t) a certain tract of land described in a certain deed dated March 16, 1976, by Abram and Evelyn Allen, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 580, page 298;
- (u) a certain tract of land described in a certain deed dated January 29, 1976, by Leslie A. and Lucille E. Feast, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 834;
- (v) a certain tract of land described in a certain deed, dated October 10, 1975 by Eva Pauline Hatcher, a widow, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 70;
- (w) a certain tract of land described in a certain deed dated June 30, 1976, by Essex Group, Inc., as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 584, page 139;
- (x) a certain tract of land described in a certain deed dated October 7, 1976, by Bob Morris Builders, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 126, page 571;
- (y) a certain tract of land described in a certain deed dated June 1, 1978 by Mary and Kermit R. McKinney, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 131, page 473;
- (z) a certain tract of land described in a certain deed dated September 27, 1977 by Mildred and Elvis L. Emerson, husband and wife, as grantors, to the mortgagor, as grantee and recorded in the office of the County Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 128, page 354;

Debtor: Jackson Purchase Energy Corporation

- (aa) a certain tract of land described in a certain deed dated July 21, 1978 by Martha and Edward L. Reid, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Graves County in the Commonwealth of Kentucky, in Deed Book 269, page 715;
- (ab) a certain tract of land described in a certain deed, dated July 24, 1978, by Pearl and Leon M. Toon, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 608, page 135;
- (ac) a certain tract of land described in a certain deed, dated September 30, 1980 by Lonnie Smith, Charlene Smith, Charles Smith and Dorothy Smith as grantors to the mortgagor, as grantee and recorded in the office of the County Court Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 186, page 681;
- (ad) a certain tract of land described in a certain deed, dated November 13, 1981, by Richard and Alice Shelby, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk in Ballard County in the Commonwealth of Kentucky in Microfilm Cabinet 1, Drawer 9, Card 13.718;
- (ae) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated June 27, 1988, executed and delivered by Charles A. Williams and Ruth W. Williams, his wife, as grantors, to the mortgagor, as grantee, recorded on June 27, 1988, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky, in Deed Book 715, page 411;
- (af) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated October 15, 1991, executed and delivered by Shell Pipe Line Corporation, as grantor, to the mortgagor, as grantee, recorded on November 12, 1991 in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 761, Page 684;

Debtor: Jackson Purchasing Corporation

- (ag) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated August 27, 1999, executed and delivered by Vulcan Materials Company, as grantor, to the mortgagor, as grantee, recorded on December 15, 1999, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 197, page 527;
- (ah) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated March 15, 2000, executed and delivered by Strawberry Hill LLC, as grantor, to the mortgagor, as grantee, recorded on March 15, 2000, in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 932, page 756.
- (ai) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed, dated August 13, 2001, executed and delivered by Terry and Phyllis Tucker, husband and wife, as grantors, to the mortgagor, as grantee, recorded on August 13, 2001, in the office of the Clerk of the County Court, Marshall County in the Commonwealth of Kentucky in Deed Book 332, page 42;
- (aj) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated June 4, 2004, executed and delivered by Cumberland River Resources, LLC, as grantor, to the mortgagor, as grantee, recorded on June 10, 2004, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 214, page 467.





# COPY

**SUPPLEMENTAL MORTGAGE  
AND  
SECURITY AGREEMENT**

Made by and among

**JACKSON PURCHASE ENERGY CORPORATION**

2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Mortgagor, and

**UNITED STATES OF AMERICA**

Rural Utilities Service  
Washington, D.C. 20250  
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  
Mortgagee

Dated as of July 14, 2010

PAID \$ 59.00 Recording Fee  
Paid \$ — Deed Tax  
Filed 9 day of Sept 20 10  
at 10:00A M o'clock  
JEFF JERRELL, Clerk  
BY D. W. Smith D.C.

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, AFTER-  
ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS  
NOTICE-THIS MORTGAGE SECURED CREDIT IN THE AMOUNT OF UP TO \$100,000,000.00.  
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 STEPHEN TICK, SHERMAN & HOWARD L.L.C., 633 17<sup>TH</sup> STREET,  
SUITE 3000, DENVER, COLORADO 80202  
Stephen O. Tick  
THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598

## SUPPLEMENTAL MORTGAGE

**SUPPLEMENTAL MORTGAGE AND SECURITY AGREEMENT**, dated as of July 14, 2010 (hereinafter sometimes called this "Supplemental Mortgage") is made by and among **JACKSON PURCHASE ENERGY CORPORATION** (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, 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") 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 in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government, CFC and CoBank being hereinafter 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, as supplemented, amended or restated (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"), CFC and CoBank; 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, hereunder and under the Existing Mortgage (this Supplemental Mortgage and the Existing Mortgage, as it may have been previously amended or supplemented, hereinafter may be called collectively the "Mortgage"); and

Whereas, all of the Mortgagor's Outstanding Notes listed in Schedule "A" hereto are secured *pari passu* by the Existing Mortgage for the benefit of all 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 Mortgages, and

Whereas, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Note listed in Schedule "A" *pari passu* and *pro rata* with the Outstanding Notes 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 obligations, subject to 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, whether now owned or hereafter acquired by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) and 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 Original 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 Original 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 Supplemental Mortgage 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 Original 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, **JACKSON PURCHASE ENERGY CORPORATION**, as Mortgagor, and **UNITED STATES OF AMERICA**, as Mortgagee, **NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**, as Mortgagee and **CoBANK, ACB**, as Mortgagee, have each caused this Supplemental Mortgage to be signed in their respective names by duly authorized persons, all as of the day and year first written above.

**JACKSON PURCHASE ENERGY CORPORATION**

By: G. Kelly Nuckols  
 Its: PRESIDENT & CEO

COMMONWEALTH OF KENTUCKY )  
 ) SS  
 COUNTY OF McCracken )

I, STACIE JEAN WATTON, a Notary Public of in and for the County and Commonwealth aforesaid, do hereby certify that G. Kelly Nuckols, personally known to me to be the President/CEO of Jackson Purchase Energy Corporation, a corporation of the Commonwealth of Kentucky, and to me known to be the identical person whose name is as President/CEO 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 President/CEO he 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 14<sup>TH</sup> day of JULY, 2010.

Stacie Jean Watton  
 Notary Public  
 In and for McCracken County, Kentucky

(Notary Seal)

My Commission expires: April 9, 2011

COBANK, ACB

By: *Gloria Kincaide*  
Its: ~~Assistant Corporate Secretary~~

(seal)  
Attest: *Alex Georgicusk*  
Assistant Secretary  
*Alex Georgicusk*

Executed by the Mortgagee in the presence of:

*[Signature]*  
*Anneta Juley*  
Witnesses

STATE OF COLORADO         )  
   ) SS  
COUNTY OF ARAPAHOE    )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July, 2010, by GLORIA KINCAIDE as ~~Assistant Corporate Secretary~~ of COBank, ACB.

Witness my hand and official seal.

*Chelsey Mayabb*  
Notary Public

(Notarial Seal)  
My commission expires: 7/28/11

CHELSEY MAYABB  
NOTARY PUBLIC  
STATE OF COLORADO  
My Commission Expires 07/28/2011

UNITED STATES OF AMERICA

By: *[Signature]*  
Administrator of the Rural Utilities Service

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

*Jane V. Wright* **Jane V. Wright**  
*[Signature]* **IVET FIGUEROA**  
Witnesses

DISTRICT OF COLUMBIA ) SS

On this 11 day of August, 2010, personally appeared before me Jonathan Adelstein, who, being duly sworn, did say that he 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, he 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.

*[Signature]*  
Notary Public

(Notarial Seal) William A. Frost  
Notary Public, District of Columbia  
My Commission Expires 04-14-2011  
My commission expires: \_\_\_\_\_

NATIONAL RURAL UTILITIES COOPERATIVE  
FINANCE CORPORATION

By: *Bryan Russell* Bryan Russell  
Its: Assistant Secretary Treasurer

(Seal) *Kerry Rollins* Kerry Rollins

Attest: *Kerry Rollins*

Assistant Secretary-Treasurer

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

*Scott Sutphin* Scott Sutphin

*Aamer Arshad* Aamer Arshad

Witnesses

COMMONWEALTH OF VIRGINIA )  
 ) SS  
COUNTY OF FAIRFAX )

I, Vanessa Davenport Gwathmey, a Notary Public in and for the Commonwealth of Virginia,  
County of Fairfax, do certify that Bryan Russell, whose name is signed to the  
writing above, bearing date on the 14 day of July, 2010, has acknowledged the same before  
me in my county aforesaid.

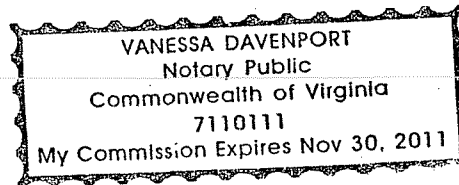
Given under my hand this 31 day of August, 2010.

(Notarial Seal)

*Vanessa Davenport Gwathmey*  
Notary Public

My commission expires:

**Vanessa Davenport Gwathmey**  
I was commissioned a Notary  
as Vanessa Davenport



## SUPPLEMENTAL MORTGAGE

### SCHEDULE A

#### MAXIMUM DEBT LIMIT AND OTHER INFORMATION

1. The Maximum Debt Limit is \$100,000,000.00.
2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

Restated Mortgage and Security Agreement dated as of February 1, 2007, among JACKSON PURCHASE ENERGY CORPORATION, as Mortgagor, the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service, as a Mortgagee, the NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as a Mortgagee., and CoBANK, ACB, as a Mortgagee.

3. The outstanding secured indebtedness described in the third WHEREAS clause above is more particularly described as follows:

#### OUTSTANDING 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>
AD7	\$ 1,855,000.00	25 Aug 1982	25 Aug 2017	5.00
AE6	\$ 3,184,000.00	20 Sep 1984	20 Sep 2019	5.00
AF7	\$ 2,967,000.00	26 Oct 1988	26 Oct 2023	5.00
AG7	\$ 2,892,000.00	26 Dec 1991	26 Dec 2026	5.00
AH7	\$ 4,483,000.00	24 Feb 1994	24 Feb 2029	5.00
AK42	\$ 4,900,000.00	8 May 1996	8 May 2031	5.00
AL42	\$ 6,726,000.00	1 Nov 1999	1 Nov 2034	5.00

<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.



AN8 <sup>3</sup>	\$18,590,000.00	1 May 2001	31 Dec 2035	V
AM44	\$ 7,832,000.00	1 May 2001	1 May 2036	V
AP44	\$ 2,833,000.00	1 Feb 2007	1 Feb 2041	V
AR44	\$12,167,000.00	1 Nov 2007	1 Nov 2041	V

**OUTSTANDING NOTES issued to CFC**

<u>CFC Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
9001	\$1,392,000.00	09/20/1984	09/20/2019

**OUTSTANDING NOTES issued to CoBank:**

<u>CoBank Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>	<u>Rate</u>
RIML0731T2	\$1,921,000.00	June 19, 2003	Feb. 20, 2029	V
RIML0731T3	\$1,240,000.00	June 19, 2003	June 20, 2026	V
RIML0731T5	\$1,271,000.00	June 19, 2003	June 15, 2023	V
RIML0731T6	\$4,158,599.15	Sept. 2, 2003	Nov. 30, 2013	V

4. The Additional Notes described in the sixth WHEREAS clause above are more particularly described as follows:

**ADDITIONAL NOTE issued to CoBank:**

<u>CoBank Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
RX0731T7	\$5,921,752.87	July 14, 2010	October 20, 2026
RX0731T8	\$3,344,239.29	July 14, 2010	December 20, 2028

<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.

**SUPPLEMENTAL MORTGAGE**

**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 B-2 through B-7 of this Schedule B.

- (a) all that certain tract of land described in a certain deed, dated November 21, 1939, executed by Mary Elizabeth Section, et al, as grantors, to the mortgagor, as grantee, and recorded on December 8, 1939, in the office of the County Court Clerk of Livingston County, Kentucky, in Deed Book 62, page 483;
- (b) all that certain tract of land described in a certain deed, dated August 13, 1948, executed by C. D. McCaw and Ollie McCaw, his wife, as grantors, to the mortgagor as grantee, and recorded on September 30, 1948, in the office of the County Court Clerk of Ballard County, Kentucky, in Deed Book 54, page 225;
- (c) all that certain tract of land described in a certain deed, dated June 8, 1950, executed and delivered by Stephen A. Cuij and Rosa L. Cuij, his wife, as grantors, to the mortgagor, as grantee, recorded on September 20, 1950, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky in Deed Book 291, page 18;
- (d) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed dated May 15, 1956, executed and delivered by Artelle Holton, County Judge and W. J. O'Briens, Jr., County Clerk, pursuant to order of Marshall County Fiscal Court, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Marshall, on April 24, 1959, in Deed Book 101, at page 406;
- (e) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated September 12, 1958, executed and delivered by Leon Koon and Jean Koon, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Livingston, on February 16, 1958, in Deed Book 87, at page 548;

- (f) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated March 21, 1962, executed and delivered by Mrs. Lina Loyd (also Lloyd) a widow, et al, as grantors, to the mortgagor, as grantee, and recorded in deed records of the County of Livingston on April 6, 1962, in Deed Book 92, at page 49;
- (g) a certain tract or parcel of land situated in Graves County, Commonwealth of Kentucky, described in a certain deed, dated June 16, 1963, executed and delivered by William Oscar Leonard and Ethel Leonard, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Graves on September 3, 1964, in Deed Book 192, at page 445;
- (h) all realty described in a certain deed dated November 4, 1968, executed and delivered by Urban Renewal and Community Development Agency of the City of Paducah, Kentucky, a body politic and corporate under the laws of Kentucky, as grantor, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 503, at page 114;
- (i) all realty described in a certain deed dated January 23, 1969, executed and delivered by John C. Walsh et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 507, at pages 1 et seq;
- (j) all that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 4, 1970, executed and delivered by W. E. and Imogene Miller, as grantors, to the mortgagor, as grantee, and recorded on the 7th day of May, 1970 in the office of the County Clerk of Ballard County, Kentucky in Book (Cabinet 1, Drawer 2), No. 683;
- (k) all that certain tract or parcel of land together with all improvements thereon, described in a certain deed, dated May 28, 1970, executed and delivered by Mutual Security Investment Corporation, as grantor, to the mortgagor, as grantee, and recorded on the 28th day of May, 1970, in the office of the County Clerk of Marshall County, Kentucky, in Book 138, page 440 as corrected by correction deed dated June 28, 1971, and filed on the 6th day of July, 1971, in the office of the County Clerk of Marshall County in Book 143, page 408;

- (l) all realty described in a certain deed dated October 8, 1965, executed and delivered by Doran E. Perdue, Trustee, as grantor, to the mortgagor, as grantee and recorded in the office of the Clerk of the County Court of Livingston County, Kentucky, in Deed Book 98, page 294;
- (m) all realty described in a certain deed dated December 19, 1969, executed and delivered by Louis Bradley, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky in Deed Book 107, page 375;
- (n) all realty described in a certain deed dated January 25, 1968, executed and delivered by Robert Flowers, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court, in Deed Book 540, page 156;
- (o) all realty described in a certain deed dated February 21, 1953, executed and delivered by Thomas D. McDougal, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court in Deed Book 331, page 199;
- (p) all realty described in a certain deed dated June 3, 1969, executed and delivered by Robert Yarbrough, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Ballard County, Kentucky in Cabinet 1, Drawer 2, instrument no. 425;
- (q) all realty described in a certain deed dated October 25, 1953, executed and delivered by Odell Adams, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 404, page 133;
- (r) all realty described in a certain, deed dated January 19, 1973, executed and delivered by Stoy M. Gates, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky, in Deed Book 116, page 36;
- (s) all realty described in a certain deed dated October 12, 1974, executed and delivered by C. L. and Virginia Slayden, husband and wife, as grantors to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 551, page 233;

- (t) a certain tract of land described in a certain deed dated March 16, 1976, by Abram and Evelyn Allen, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 580, page 298;
- (u) a certain tract of land described in a certain deed dated January 29, 1976, by Leslie A. and Lucille E. Feast, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 834;
- (v) a certain tract of land described in a certain deed, dated October 10, 1975 by Eva Pauline Hatcher, a widow, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 70;
- (w) a certain tract of land described in a certain deed dated June 30, 1976, by *Essex Group, Inc.*, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 584, page 139;
- (x) a certain tract of land described in a certain deed dated October 7, 1976, by Bob Morris Builders, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 126, page 571;
- (y) a certain tract of land described in a certain deed dated June 1, 1978 by Mary and Kermit R. McKinney, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 131, page 473;
- (z) a certain tract of land described in a certain deed dated September 27, 1977 by Mildred and Elvis L. Emerson, husband and wife, as grantors, to the mortgagor, as grantee and recorded in the office of the County Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 128, page 354;

- (aa) a certain tract of land described in a certain deed dated July 21, 1978 by Martha and Edward L. Reid, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Graves County in the Commonwealth of Kentucky, in Deed Book 269, page 715;
- (ab) a certain tract of land described in a certain deed, dated July 24, 1978, by Pearl and Leon M. Toon, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 608, page 135;
- (ac) a certain tract of land described in a certain deed, dated September 30, 1980 by Lonnie Smith, Charlene Smith, Charles Smith and Dorothy Smith as grantors to the mortgagor, as grantee and recorded in the office of the County Court Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 186, page 681;
- (ad) a certain tract of land described in a certain deed, dated November 13, 1981, by Richard and Alice Shelby, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk in Ballard County in the Commonwealth of Kentucky in Microfilm Cabinet 1, Drawer 9, Card 13.718;
- (ae) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated June 27, 1988, executed and delivered by Charles A. Williams and Ruth W. Williams, his wife, as grantors, to the mortgagor, as grantee, recorded on June 27, 1988, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky, in Deed Book 715, page 411;
- (af) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated October 15, 1991, executed and delivered by Shell Pipe Line Corporation, as grantor, to the mortgagor, as grantee, recorded on November 12, 1991 in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 761, Page 684;

- (ag) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated August 27, 1999, executed and delivered by Vulcan Materials Company, as grantor, to the mortgagor, as grantee, recorded on December 15, 1999, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 197, page 527;
- (ah) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated March 15, 2000, executed and delivered by Strawberry Hill LLC, as grantor, to the mortgagor, as grantee, recorded on March 16, 2000, in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 932, page 756.
- (ai) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed, dated August 13, 2001, executed and delivered by Terry and Phyllis Tucker, husband and wife, as grantors, to the mortgagor, as grantee, recorded on August 13, 2001, in the office of the Clerk of the County Court, Marshall County in the Commonwealth of Kentucky in Deed Book 332, page 42;
- (aj) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated June 4, 2004, executed and delivered by Cumberland River Resources, LLC, as grantor, to the mortgagor, as grantee, recorded on June 10, 2004, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 214, page 467.



**SUPPLEMENTAL MORTGAGE  
SCHEDULE C**

**EXCEPTED PROPERTY**

NONE.

STATE OF KENTUCKY } SCT.  
COUNTY OF McCRACKEN }

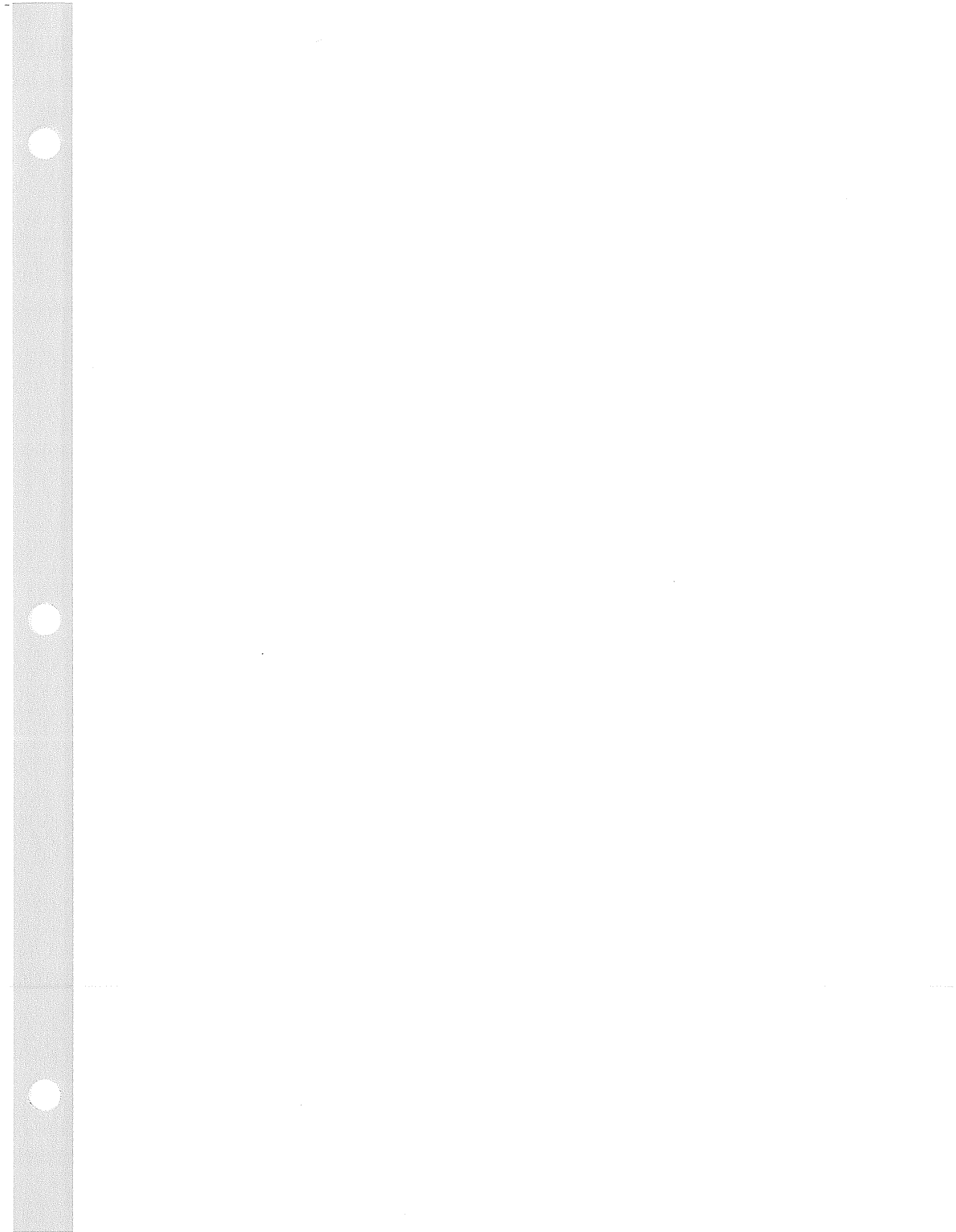
I, Jeff Jerrell, Clerk of the County Court for the County and State aforesaid, do certify that the foregoing is a true and correct copy of same as appears on record in my

office in Mt. Pleasant 1277 page 1

Given under my hand this 9th day of September 20 10.

JEFF JERRELL, CLERK

By Julie Bragg D.C.



**NOTIFICATION OF REFINANCING  
UNDER SECTION 2.02 OF THE MORTGAGE**

July 14, 2010

**VIA FACSIMILE TO (202) 720-3330**  
Rural Utilities Service  
United States Department of Agriculture  
Washington, DC 20250-1500  
Attention: Brian D. Jenkins

**VIA FACSIMILE TO (703)-709-6776**  
National Rural Utilities Cooperative Finance Corporation  
2201 Cooperative Way  
Herndon, Virginia 20171-3025  
Attention: Mr. Bryan Russell

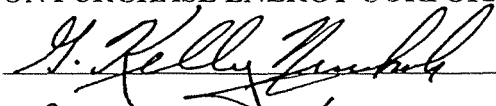
Pursuant to Section 2.02 of that certain Restated Mortgage and Security Agreement dated as of February 1, 2007, as supplemented (the "Mortgage"), please take notice that **JACKSON PURCHASE ENERGY CORPORATION** (the "Company") intends to issue an Additional Note under Section 2.02 of the Mortgage to refinance the loans identified on Exhibit A hereto. Such loans were made by the United States of America, acting by and through the Rural Utilities Service ("RUS"), and are secured by the Mortgage. The refinancing loan is being provided by CoBank, ACB and will be secured under the Mortgage.

On behalf of the Company, I hereby certify that the Additional Note to be issued under Section 2.02 of the Mortgage on or about the date hereof meets the requirement of Section 6.14 of the RUS loan contract that the weighted average life of such Additional Note is not greater than the weighted average remaining lives of the Notes being refinanced. If you would like a certificate calculating the weighted average lives, please let me know. In addition, pursuant to the RUS loan contract and the Mortgage, I hereby certify that: (1) no "Event of Default" (as defined in the Mortgage) or event which with the giving of notice or lapse of time or both would become and Event of Default, has occurred and is continuing; and (2) the amount of the Additional Note is the same amount as the unpaid principal balance of the Note(s) being refinanced.

Sincerely,

**JACKSON PURCHASE ENERGY CORPORATION**

By:



Its:

PRESIDENT & CEO

DESCRIPTION OF RUS LOANS TO BE REFINANCED

<b>Lender</b>	<b>RUS Loan No.</b>
RUS	1B260
RUS	1B262
RUS	1B270
RUS	1B273
RUS	1B280
RUS	1B281
RUS	1B283
RUS	1B290
RUS	1B292
RUS	1B300
RUS	1B305

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\*\*\* TX REPORT \*\*\*  
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DESTINATION ID  
ST. TIME 07/14 15:56  
TIME USE 00'38  
PAGES SENT 3  
RESULT OK

**Denton & Keuler, LLP**  
ATTORNEYS AT LAW  
POST OFFICE BOX 929  
555 JEFFERSON STREET SUITE 301  
PADUCAH, KENTUCKY 42002-0929  
TELEPHONE: (270) 443-8253  
FACSIMILE: (270) 442-6000  
E-MAIL: dklaw@dklaw.com

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**TRANSMITTAL COVER SHEET**

Date: 7/14/2010

Name: <u>Mr. Bryan Russell</u>	Fax Number: <u>703-709-6776</u>
Company: <u>National Rural Utilities Cooperative Finance Corporation</u>	From: <u>Lisa Emmons</u>
Re: <u>Notification of Refinancing</u>	

Number of pages, including cover: 3

**COMMENTS/SPECIAL INSTRUCTIONS**

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\*\*\* TX REPORT \*\*\*  
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TRANSMISSION OK

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DESTINATION ID  
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PAGES SENT 3  
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**Denton & Keuler, LLP**  
ATTORNEYS AT LAW  
POST OFFICE BOX 929  
555 JEFFERSON STREET SUITE 301  
PADUCAH, KENTUCKY 42002-0929  
TELEPHONE: (270) 443-8253  
FACSIMILE: (270) 442-6000  
E-MAIL: dklaw@dklaw.com

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**TRANSMITTAL COVER SHEET**

Date: 7/14/2010

Name: <u>Brian D. Jenkins</u>	Fax Number: <u>202-720-0498</u>
Company: <u>Rural Utilities Service</u>	From: <u>Lisa Emmons</u>
Re: <u>Notification of Refinancing</u>	

Number of pages, including cover: 3

**COMMENTS/SPECIAL INSTRUCTIONS**

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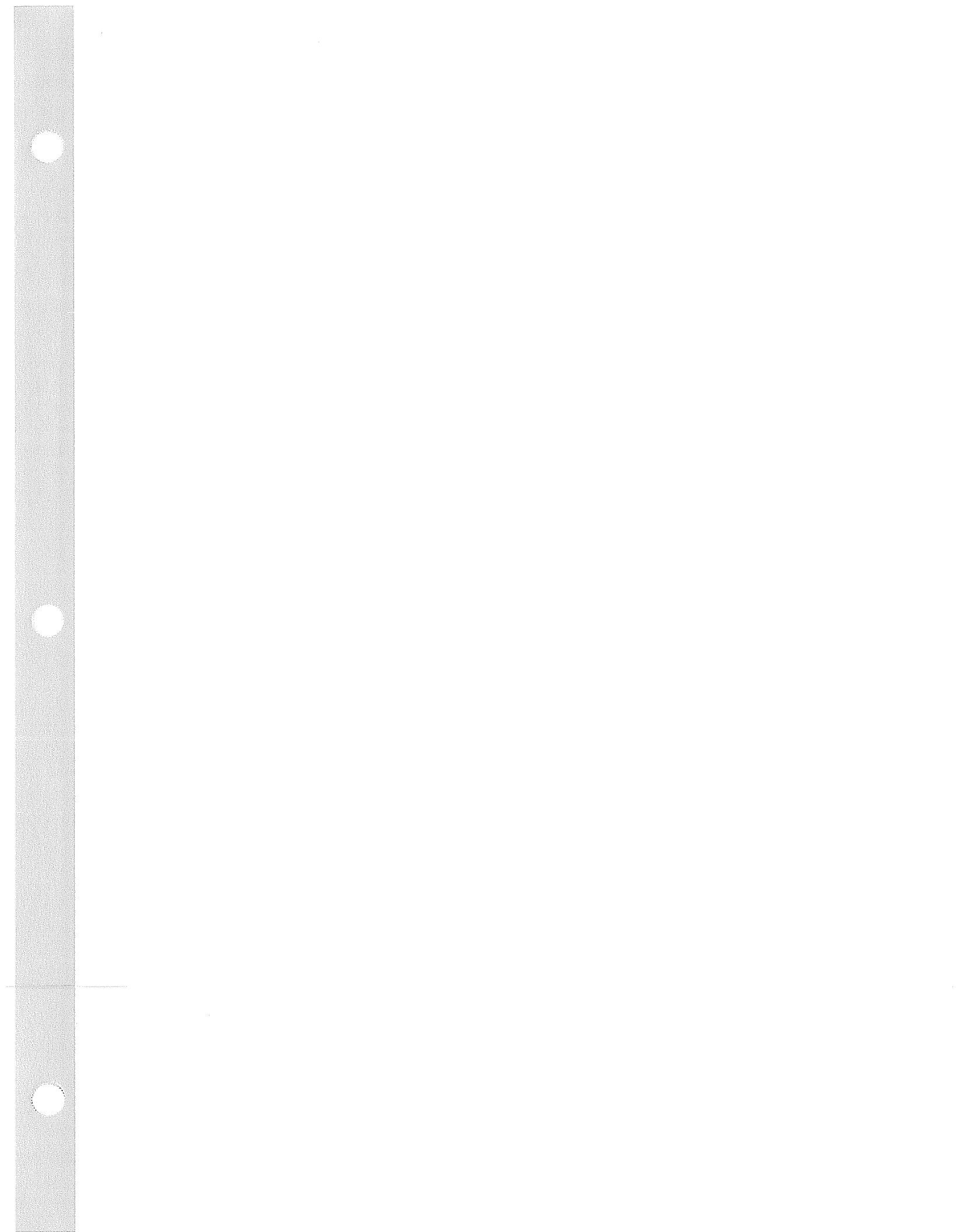
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**CoBANK, ACB  
APPLICATION FOR CREDIT**

Date: July 14, 2010

1. **TYPE AND AMOUNT** of credit applied for (if renewal of existing lines without change in amount or change in utilization or purpose, check here [ ] and skip to item 3):

<input type="checkbox"/>	Line of credit in the amount of	_____
<input checked="" type="checkbox"/>	New term loans in the amount of	<u>\$9,265,992.16</u>
<input type="checkbox"/>	Other (specify type and amount) Type	_____

2. **PURPOSE** of credit applied for: To refinance RUS loans.

3. To induce CoBank to extend the credit applied for, the applicant represents and warrants that, **EXCEPT AS DISCLOSED BELOW**, the applicant is in compliance with the terms and conditions of its agreements with CoBank, including the obligation to notify CoBank of the commencement of material litigation, of the receipt of environmental and regulatory notices and pleadings, and of other matters as required by the agreements between the parties. **DISCLOSE ANY EXCEPTIONS HERE. IF NONE, SO STATE:** NONE

*If more space is needed, check here [ ] and attach an additional page.*

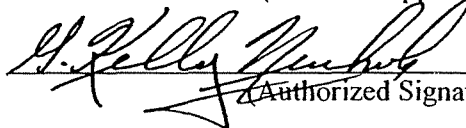
4. *Attached hereto* is a full and correct copy of the articles of incorporation and bylaws of the Corporation, as amended to the date of this certificate. Such articles and bylaws are in full force and effect as of the date of this certificate.

This application is subject to 18 U.S.C. 1014, which imposes penalties for knowingly making a false statement to the bank.

**JACKSON PURCHASE ENERGY CORPORATION**

(Name of Applicant)

By:

  
\_\_\_\_\_  
(Authorized Signature)

Its:

PRESIDENT & CEO  
(Title)



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Ghance  
. NAOA

Trey Grayson  
Secretary of State  
Received and Filed  
11/09/2007 9:52:45 AM  
Fee Receipt: \$8.00

**ARTICLES OF AMENDMENT TO THE  
RESTATED ARTICLES OF INCORPORATION  
OF  
JACKSON PURCHASE ENERGY CORPORATION AS AMENDED**

The undersigneds do hereby certify that the following amendment to the Restated Articles of Incorporation of said Corporation was approved by a two-thirds (2/3) vote of the directors of said Corporation at a special called meeting held on May 6, 2004, and a regular meeting held on February 22, 2001, and that the following Amendments to the Restated Articles of Incorporation of said Corporation was adopted by a majority vote of the members of said Corporation at their annual meeting duly held on June 29, 2004, and June 26, 2001. The Articles of Amendment are as follows:

- I. THE TEXT OF THE AMENDMENTS TO ARTICLES I THROUGH X OF THE RESTATED ARTICLES OF INCORPORATION OF JACKSON PURCHASE ENERGY CORPORATION ARE AS FOLLOWS:

**ARTICLE I**

The name of the Corporation shall be JACKSON PURCHASE ENERGY CORPORATION.

**ARTICLE II**

The purpose or purposes for which the Corporation is formed are to conduct an electric generation, transmission, distribution or service non-profit Corporation to produce, transmit, distribute or furnish energy to any person, firm, corporation, or body politic and/or to provide electrical devices, wiring and equipment and any services that are deemed advisable or desirable to operate a utility and without limiting the generality of the foregoing:

- (a) To generate, manufacture, purchase, acquire and accumulate electric energy for its members to the extent permitted by the Act under which the Corporation is formed and to

transmit, distribute, furnish, sell and dispose of such electric energy to its members to the extent permitted by the Act under which the Corporation is formed, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and electric transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;

- (b) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and, in any manner, dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the Corporation;
- (c) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge, or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the Corporation to accomplish any or all of its purposes;
- (d) To borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured or unsecured, for money borrowed or in payment for property acquired, or for any of the other objects or purposes of the Corporation; to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, privileges or permits of the Corporation, wheresoever situated, acquired or to be acquired;
- (e) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the Act under which the Corporation is formed, and to exercise any of its powers anywhere.

### ARTICLE III

The principal office shall be located at 2900 Irvin Cobb Drive, Paducah, McCracken County, Kentucky.

### ARTICLE IV

The operations of the Corporation are to be conducted in the counties of McCracken, Ballard, Carlisle, Graves, Marshall, and Livingston and in such other counties as the operations of the Corporation may from time to time require or become necessary or desirable in the interest of the Corporation or its members.

**ARTICLE V**

The number of directors of the Corporation shall be eight.

**ARTICLE VI**

The names and post office addresses of the directors who are to manage the affairs of the Corporation until the first annual meeting of the members or until their successors shall have been elected and shall have qualified, are:

<u>NAME</u>	<u>ADDRESS</u>	<u>POST OFFICE</u>
Boone Hill	R.F.D. #6	Benton, Kentucky,
Roudell Wilson Ed F. Warren	R.F.D. #1	Smithland, Kentucky Hickory, Kentucky,
Harvey M. Luttrell	#6	Paducah, Kentucky, R.F.D.
Claude E. Seaton Horace Earl Harting	#2	Barlow, Kentucky R.F.D. #1 Paducah, Kentucky, R.F.D.
Roy J. Meahl	R.F.D. #2	Paducah, Kentucky,
Carmel D. Harris	#2	Paducah, Kentucky, R.F.D.
Walter O. Parr	R.F.D. #6	Paducah, Kentucky,

**ARTICLE VII**

The duration of the Corporation is: perpetual.

**ARTICLE VIII**

Section 1: The Corporation shall have no capital stock and the property rights and interests of

each member shall be equal.

Section 2: Any person, firm, association, corporation, or body politic or subdivision thereof shall be eligible to become a member of and to receive electric service from Jackson Purchase Energy Corporation (hereinafter called the "Corporation") at one or more premises owned or directly occupied or used by him or it, provided that he or it has first: (a) made appropriate written application for membership therein; (b) agreed to purchase from the Corporation electric energy as hereinafter specified; (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Corporation and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and (d) paid any applicable fees as adopted by the Board; provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the applicant should be rejected for good cause. No member may hold more than one (1) membership in the Corporation, and no membership in the Corporation shall be transferable except as provided in the Bylaws. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members.

Section 3: The Corporation shall maintain an appropriate record of the members of the Corporation and the capital credited to the account of each member as required in the Bylaws. Membership and capital credit records shall be available in accordance with the provisions of the Bylaws.

Section 4: Each member shall, as soon as electric energy shall be available, purchase from the Corporation all electric energy used on the premises specified in the members application for

membership, and shall pay therefore at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in the Bylaws. Each member shall pay to the Corporation such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by the member to the Corporation as and when the same shall become due and payable.

Section 5:

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds (2/3) of all directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Corporation that such failure makes the member liable to expulsion and such failures shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by a vote of the Board. The membership of a member who for a period of six (6) months after service is available to the member has not purchased electric energy from the Corporation may be canceled by resolution of the Board.
- (b) Upon withdrawal, death, cessation of existence, or expulsion of a member, his or its membership shall thereupon terminate. The Corporation shall refund the amount of the membership fee paid, if any, or the Corporation will apply the amount of the membership fee to any debts or obligations owed by the member to the Corporation. Termination of membership in any manner shall not release a member or his estate from any debts due the Corporation.

Section 6: Membership is granted upon connection of service and payment of any applicable fees as approved and adopted by the Board.

Section 7: A member may be entitled to vote by proxy at all meetings of members in accordance with the terms and conditions set forth in Article III of the Corporation Bylaws.

**ARTICLE IX**

Section 1: The Bylaws of the Corporation may fix such other terms and conditions upon which members shall be admitted to and retain membership in the Corporation not inconsistent with these Articles of Incorporation or the Act under which it is organized.

Section 2: The Board shall have power to make and adopt such rules and regulations not inconsistent with these Articles of Incorporation or the Bylaws of the Corporation as it may deem advisable for the management, administration and regulation of the business and affairs of the Corporation.

Section 3: Neither the incorporators nor any other member of the Corporation shall be personally responsible for any debts, obligation or liability of the Corporation.

**ARTICLE X**

The Corporation may amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law.

JACKSON PURCHASE ENERGY  
CORPORATION

(Seal)

By Gary L. Joiner  
Gary L. Joiner, Chairman

ATTEST:

By Wayne Elliott  
Wayne Elliott, Secretary

STATE OF KENTUCKY )

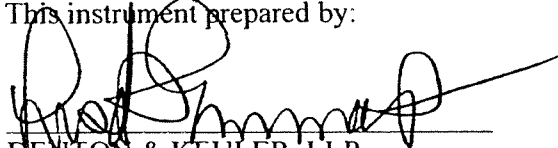
COUNTY OF McCracken )

The foregoing Articles of Amendment to the Restated Articles of Incorporation of Jackson Purchase Energy Corporation was produced before me in the aforesaid County and State and was signed and acknowledged by Gary L. Joiner, Chairman of the Corporation, to be the act and deed of the Corporation and the execution thereof was attested by Wayne Elliott, Secretary of the Corporation, who signed and acknowledged same to be his act and deed as Secretary of the Corporation and the act and deed of the Corporation, this 11<sup>th</sup> day of October, 2007.

My commission expires: 1-12-2010

  
NOTARY PUBLIC, STATE AT LARGE

This instrument prepared by:



DENTON & KEULER, LLP

P.O. Box 929

Paducah, KY 42002-0929

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ARTICLE OF AMENDMENT TO THE  
RESTATED ARTICLES OF INCORPORATION  
OF  
JACKSON PURCHASE ELECTRIC  
COOPERATIVE CORPORATION AS AMENDED

The undersigned do hereby certify that the following amendment to the Restated Articles of Incorporation of said Corporation was approved and adopted by the vote of the directors of said Corporation at a directors meeting duly held on July 30, 1998, and that the following Amendment to the Restated Articles of Incorporation of the Corporation was adopted and approved by the vote of the members of said Corporation at their annual meeting duly held on June 16, 1998.

The Article of Amendment is as follows:

KNOW ALL MEN BY THESE PRESENTS:

ARTICLE I

The name of the Corporation shall be JACKSON PURCHASE ENERGY CORPORATION.

All other provisions of the Restated Articles of Incorporation and amendments thereto shall remain unchanged and in full force and effect.

JACKSON PURCHASE ENERGY CORPORATION

By Lee Bearden  
Lee Bearden, President

ATTEST:

By Wayne Elliott  
Wayne Elliott, Secretary

STATE OF KENTUCKY )

COUNTY OF McCRACKEN )

The foregoing Article of Amendment to the Restated Articles of Incorporation of Jackson Purchase Electric Cooperative Corporation, n/k/a Jackson Purchase Energy Corporation,

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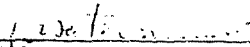
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was produced before me in the aforesaid County and State and was signed and acknowledged by Lee Bearden, President of said Corporation to be the act and deed of the Corporation and the execution thereof was attested by Wayne Elliott, Secretary of the Corporation, who signed and acknowledged same to be his act and deed as Secretary of the Corporation and the act and deed of the Corporation this 24 day of September 1998.

My commission expires: 6.21.99

  
NOTARY PUBLIC, STATE AT LARGE

This instrument prepared by:

  
DENTON & KEULER  
P. O. Box 929  
Paducah, KY 42002-0929

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**ARTICLES OF AMENDMENT TO THE  
RESTATED ARTICLES OF INCORPORATION  
OF  
JACKSON PURCHASE ELECTRIC  
COOPERATIVE CORPORATION AS AMENDED**

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The undersigned do hereby certify that the following amendment to the Restated Articles of Incorporation of said Cooperative was adopted and recommended by the vote of the directors of said Cooperative at a directors meeting duly held on April 17, 1995, and that the following Amendment to the Restated Articles of Incorporation of the Cooperative was adopted and approved by the vote of the members of said Cooperative at their annual meeting duly held on June 20, 1995. The Articles of Amendment are as follows:

SEAL  
CC  
*[Signature]*

Know all men by these presents:

**ARTICLE I**

The name of the Cooperative shall be JACKSON PURCHASE ELECTRIC COOPERATIVE CORPORATION (hereinafter referred to as, "Cooperative").

**ARTICLE II**

The purpose or purposes for which the Cooperative is formed are to conduct an electric generation, transmission, distribution or service non-profit Cooperative Corporation to produce, transmit, distribute or furnish energy to any person, firm, corporation, or body politic and/or to provide electrical devices, wiring and equipment and any services that are deemed advisable or desirable to operate a utility and without limiting the generality of the foregoing:

- (a) To generate, manufacture, purchase, acquire and accumulate electric energy for its members ~~and non-members~~ to the extent permitted by the Act under which the Cooperative is formed and to transmit, distribute, furnish, sell and dispose of such electric energy to its members ~~and non-members~~ to the extent permitted by the Act under which the Cooperative is formed, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and electric transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;
- (b) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the Cooperative;
- (c) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge, or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the Cooperative to accomplish any or all of its purposes;
- (d) to borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured or unsecured, for money borrowed or in payment for property acquired, or for any of the other objects or purposes of the Cooperative; to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, privileges or permits of the Cooperative, wheresoever situated, acquired or to be acquired;
- (e) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the Act under which the Cooperative is formed, and to exercise any of its powers anywhere.

**ARTICLE III**

The principal office shall be located in Paducah, in the County of McCracken, Commonwealth of Kentucky.

**ARTICLE IV**

The operations of the Cooperative are to be conducted in the counties of McCracken, Ballard, Carlisle, Graves, Marshall, and Livingston, and in such other counties as the operations of the Cooperative may from time to time require or become necessary or desirable in the interest of the Cooperative or its members.

**ARTICLE V**

The number of directors of the Cooperative shall be nine.

**ARTICLE VI**

The names and post office addresses of the directors who are to manage the affairs of the Cooperative until the first annual meeting of the members or until their successors shall have been elected and shall have qualified, are:

**NAME**

**POST OFFICE ADDRESS**

Boone Hill	Benton, Kentucky, R.F.D. #6
Roudell Wilson	Smithland, Kentucky
Ed F. Warren	Hickory, Kentucky, R.F.D. #1
Harvey M. Luttrell	Paducah, Kentucky, R.F.D. #6
Claude E. Seaton	Barlow, Kentucky R.F.D. #1
Horace Earl Harting	Paducah, Kentucky, R.F.D. #2
Roy J. Meahl	Paducah, Kentucky, R.F.D. #2
Carmel D. Harris	Paducah, Kentucky, R.F.D. #2
Waiter O. Parr	Paducah, Kentucky, R.F.D. #6

## **ARTICLE VII**

The duration of the Cooperative is: perpetual.

## **ARTICLE VIII**

**Section 1:** The Cooperative shall have no capital stock, and the property rights and interests of each member shall be equal.

**Section 2:** Any person, firm, association, corporation, or body politic or subdivision thereof ~~may~~ shall be eligible to become a member of, and to receive electric service from the Cooperative, at one or more premises owned or directly occupied or used by him or it, upon receipt of electric service from the Cooperative, provided that the person, firm, association, corporation, body politic or subdivision thereof has first: (a) made a written application for membership therein; (b) agreed to purchase from the Cooperative the electric energy hereinafter specified; (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and (d) paid the membership fee specified in the Bylaws of the Cooperative; provided, however, that no person, firm, association, corporation, or body politic or subdivision thereof shall become a member unless, or until, the Board or members have accepted the application for membership. No member may hold more than one (1) ~~voting~~ membership in the Cooperative and no membership in the Cooperative shall be transferable except as provided in the Bylaws. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members.

Section 3: Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provision as shall be determined by the Board. ~~There shall be two (2) types of membership, a voting membership and a non-voting membership.~~ A voting membership certificate shall be issued for the first or only service connection received by a member. ~~A non-voting membership certificate shall be issued for each additional service connection received by the same member.~~ Each such The membership certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. ~~Neither such membership certificate shall be issued for less than the membership fee, fixed in the Bylaws, nor until such membership fee has been fully paid for.~~ In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board may prescribe. ~~The words "same member" as used above includes a husband and wife so that upon the receipt of a service connection by either or both of them, all additional service connections received by either or both of them shall entitle either or both to receive only a non-voting membership.~~

Section 4: Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in the members application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided

in the Bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by the member to the Cooperative as and when the same shall become due and payable.

**Section 5:**

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds (2/3) of all directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failures shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by a vote of the Board. The membership of a member who for a period of six (6) months after service is available to the member has not purchased electric energy from the Cooperative may be cancelled by resolution of the Board.
- (b) Upon withdrawal, death, cessation of existence, or expulsion of a member, the membership of such member shall thereupon terminate and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or the members estate from any debts due the Cooperative.
- (c) In case withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by the member provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

**Section 6:** No membership shall be issued for less than the membership fee specified in the Bylaws of the Cooperative, nor until such membership fee has been

~~fully paid for in cash and such payment has been deposited with the Treasurer of the Cooperative.~~

Section 7: ~~A member may be entitled to vote by proxy at all meetings of members in accordance with the terms and conditions set forth in Article III of the Cooperative Bylaws. At all meetings of members a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary of the Cooperative before or at the time of the meeting. No proxy shall be valid after sixty (60) days from the date of its execution, and the proxy so appointed may not vote at any meeting other than the one designated in the proxy or any adjournment or adjournments of such meeting.~~

#### ARTICLE IX

Section 1: The Bylaws of the Cooperative may fix such other terms and conditions upon which members shall be admitted to and retain membership in the Cooperative not inconsistent with these Articles of Incorporation or the Act under which it is organized.

Section 2: The Board shall have power to make and adopt such rules and regulations not inconsistent with these Articles of Incorporation or the Bylaws of the Cooperative as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.




Section 3: Neither the incorporators nor any other member of the Cooperative shall be personally responsible for any debts, obligation or liability of the Cooperative.

**ARTICLE X**

The Cooperative may amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law.

JACKSON PURCHASE ELECTRIC  
COOPERATIVE CORPORATION

By   
Danny L. Cope, President

ATTEST:

By   
Grover R. Talley, Secretary

STATE OF KENTUCKY )

COUNTY OF McCRACKEN )

The foregoing Articles of Amendment to the Restated Articles of Incorporation of Jackson Purchase Electric Cooperative Corporation was produced before me in the aforesaid County and State and was signed and acknowledged by Danny L. Cope, President of said Cooperative, to be the act and deed of the Cooperative and the execution thereof was attested by Grover R. Talley, Secretary of the Cooperative who signed and acknowledged same to be his act and deed as Secretary of the Cooperative and the act and deed of the Cooperative, this 27 day of

July, 1995.

My commission expires: 3/5/99.

Shell Doherty  
NOTARY PUBLIC, STATE AT LARGE

This instrument prepared by:

Richard A. Emmens

DENTON & KEULER  
P. O. Box 929  
Paducah, KY 42002-0929

RESOLUTION TO AMEND ARTICLES OF INCORPORATION

WHEREAS the Board of Directors at its meeting held June 28, 1974 has adopted a Resolution to Amend the Articles of Incorporation of the Jackson Purchase Rural Electric Cooperative Corporation and to file with the Secretary of State, Commonwealth of Kentucky, Restated Articles of Incorporation; and


WHEREAS it is necessary for the members of Jackson Purchase Rural Electric Cooperative Corporation to approve the amending of the Articles of Incorporation:

NOW THEREFORE BE IT RESOLVED that the members of Jackson Purchase Rural Electric Cooperative Corporation approve and authorize the amendment of the Articles of Incorporation of the Jackson Purchase Rural Electric Cooperative Corporation, and that the Articles herein mentioned be restated as follows and that the President and Secretary be, and they hereby are, authorized to execute all instruments, documents necessary to affect the amendments and to file the Restated Articles of Incorporation.

CERTIFICATE

I, R. L. Bailey, Jr., do hereby certify that I am the Secretary of Jackson Purchase Rural Electric Cooperative Corporation and that the above is a true and correct copy of a Resolution duly adopted by the members of the Cooperative at the regular Annual Meeting held July 30, 1974, and regularly called and held in accordance with the Bylaws of the Cooperative and that a quorum was present at said meeting; the Restatement of Articles of Incorporation attached hereto is a true and correct copy as presented to the members in the Notice of the Annual Meeting and at the Annual Meeting of members; and that the above Resolution has not been rescinded or modified:

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this 12th day of August, 1974.

  
R. L. Bailey, Jr., Secretary

(SEAL)

RESTATED ARTICLES OF INCORPORATION  
OF  
JACKSON PURCHASE ELECTRIC  
COOPERATIVE CORPORATION AS AMENDED

Know all men by these presents:

ARTICLE I

The name of the Cooperative shall be JACKSON PURCHASE ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Cooperative").

ARTICLE II

The purpose or purposes for which the Cooperative is formed are to conduct an electric generation, transmission, distribution or service non-profit Cooperative Corporation to produce, transmit, distribute or furnish energy to any person, firm, corporation or body politic and/or to provide electrical devices, wiring and equipment and any services that are deemed advisable or desirable to operate a utility and without limiting the generality of the foregoing:

- (a) To generate, manufacture, purchase, acquire and accumulate electric energy for its members and non-members to the extent permitted by the Act under which the Cooperative is formed and to transmit, distribute, furnish, sell and dispose of such electric energy to its members and non-members to the extent permitted by the Act under which the Cooperative is formed, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and electric transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;
- (b) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the Cooperative;

- (c) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge, or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the Cooperative to accomplish any or all of its purposes;
- (d) To borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured or unsecured, for money borrowed or in payment for property acquired, or for any of the other objects or purposes of the Cooperative; to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, privileges or permits of the Cooperative, wheresoever situated, acquired or to be acquired;
- (e) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the Act under which the Cooperative is formed, and to exercise any of its powers anywhere.

### ARTICLE III

The principal office shall be located in Paducah, in the County of McCracken, Commonwealth of Kentucky.

### ARTICLE IV

The operations of the Cooperative are to be conducted in the counties of McCracken, Ballard, Carlisle, Graves, Marshall, and Livingston, and in such other counties as the operations of the Cooperative may from time to time require or become necessary or desirable in the interest of the Cooperative or its members.

### ARTICLE V

The number of directors of the Cooperative shall be nine.

### ARTICLE VI

The names and post office addresses of the directors who are to manage the affairs of the Cooperative until the first annual meeting of the members or until their successors shall have been elected and shall have qualified, are:

<u>NAME</u>	<u>POST OFFICE ADDRESS</u>
Boone Hill	Benton, Kentucky, R.F.D. # 6
Roudell Wilson	Smithland, Kentucky
Ed F. Warren	Hickory, Kentucky, R.F.D. # 1
Harvey M. Luttrell	Paducah, Kentucky, R.F.D. # 6
Claude E. Seaton	Barlow, Kentucky, R.F.D. # 1
Horace Earl Harting	Paducah, Kentucky, R.F.D. # 2
Roy J. Meahl	Paducah, Kentucky, R.F.D. # 2
Carmel D. Harris	Paducah, Kentucky, R.F.D. # 2
Walter O. Parr	Paducah, Kentucky, R.F.D. # 6

#### ARTICLE VII

The duration of the Cooperative is: perpetual.

#### ARTICLE VIII

Section 1: The Cooperative shall have no capital stock, and the property rights and interests of each member shall be equal.

Section 2: Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of the Cooperative upon receipt of electric service from the Cooperative, provided that the person, firm, association, corporation, body politic or subdivision thereof has first: (a) made a written application for membership therein; (b) agreed to purchase from the Cooperative the electric energy hereinafter specified; (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and (d) paid the membership fee specified in the Bylaws of the Cooperative; provided, however, that no person, firm, association, corporation, or body politic or subdivision thereof shall become a member unless, or until, the Board or members have accepted the application for membership. No member may hold more than one (1) voting membership in the Cooperative and no membership in the Cooperative shall be transferable except as provided in the Bylaws.

*Man. (11/1/44)*

Section 3: Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall be determined by the Board. There shall be two (2) types of membership, a voting membership and a non-voting membership. A voting membership certificate shall be issued for the first or only service connection received by a member. A non-voting membership certificate shall be issued for each additional service connection received by the same member. Each such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. Neither such membership certificate shall be issued for less than the membership fee, fixed in the Bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board may prescribe. The words "same member" as used above includes a husband and wife so that upon the receipt of a service connection by either or both of them, all additional service connections received by either or both of them shall entitle either or both to receive only a non-voting membership.

Section 4: Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in the members application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in the Bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each

member shall also pay all amounts owed by the member to the Cooperative as and when the same shall become due and payable.

Section 5:

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds (2/3) of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failures shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by a vote of the Board. The membership of a member who for a period of six (6) months after service is available to the member has not purchased electric energy from the Cooperative may be cancelled by resolution of the Board.
- (b) Upon withdrawal, death, cessation of existence, or expulsion of a member, the membership of such member shall thereupon terminate and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or the members estate from any debts due the Cooperative.
- (c) In case withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by the member provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

Section 6: No membership shall be issued for less than the membership fee specified in the Bylaws of the Cooperative, nor until such membership fee has been fully paid for in cash and such payment has been deposited with the Treasurer of the Cooperative.

Section 7: At all meetings of members a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary of the Cooperative before or at the time of the meeting. No



proxy shall be valid after sixty (60) days from the date of its execution, and the proxy so appointed may not vote at any meeting other than the one designated in the proxy or any adjournment or adjournments of such meeting.

ARTICLE IX

Section 1: The Bylaws of the Cooperative may fix such other terms and conditions upon which members shall be admitted to and retain membership in the Cooperative not inconsistent with these Articles of Incorporation or the Act under which it is organized. 2

Section 2: The Board shall have power to make and adopt such rules and regulations not inconsistent with these Articles of Incorporation or the Bylaws of the Cooperative as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 3: Neither the incorporators nor any other member of the Cooperative shall be personally responsible for any debts, obligation or liability of the Cooperative.

ARTICLE X

The Cooperative may amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law.

JACKSON PURCHASE ELECTRIC  
COOPERATIVE CORPORATION

By Willard B. Carneal  
Willard B. Carneal, President


ATTEST:

By R. L. Bailey, Jr.  
R. L. Bailey, Jr., Secretary

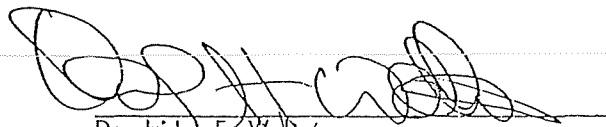
STATE OF KENTUCKY            )  
  )  SS:  
COUNTY OF McCracken        )

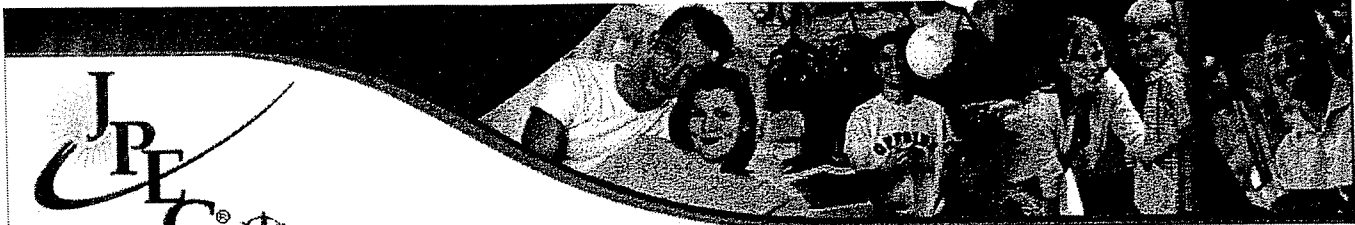
I, Sandra Gourley, a Notary Public in and for the State of Kentucky at Large, do hereby certify that the foregoing Restated Articles of Incorporation (of Jackson Purchase Rural Electric Cooperative Corporation as Amended by Jackson Purchase Electric Cooperative Corporation) was produced before me in the aforesaid County and State and was signed and acknowledged by Willard B. Carneal, President of said Cooperative, to be the act and deed of the Cooperative and of Willard B. Carneal as President of the Cooperative and the execution thereof was attested by R. L. Bailey, Jr., Secretary of the Cooperative who signed and acknowledged same to be his act and deed as Secretary of the Cooperative and the act and deed of the Cooperative, this 12th day of August, 1974.

My commission expires: November 16, 1974.

  
NOTARY PUBLIC, State At Large, Kentucky

This Instrument Prepared by:

  
Dandridge F. Walton  
Attorney At Law  
410 Citizens Bank Building  
Paducah, Kentucky 42001



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## Bylaws

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*Revised August, 2006*





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## JPEC Bylaws

### ARTICLE I

#### MEMBERSHIP

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**Section 1 - Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof shall be eligible to become a member of and to receive electric service from Jackson Purchase Energy Corporation (hereinafter called the "Corporation") at one or more premises owned or directly occupied or used by him or it, provided that he or it has first:

- (a) made appropriate written application for membership therein;
- (b) agreed to purchase from the Corporation electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Corporation and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and
- (d) paid any applicable fees as approved and adopted by the Board.

Provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the application should be rejected for good cause. No member may hold more than one (1) membership in the Corporation, and no membership in the Corporation shall be transferable except as provided in these Bylaws.

**Section 2 - Records of Membership.** The Corporation shall maintain an appropriate record of the members of the Corporation and the capital credited to the account of each member as required in the Bylaws. Membership and capital credit records shall be available in accordance with the provisions of the Bylaws.

**Section 3 - Joint Membership.** A husband and wife may apply for a joint membership subject to their compliance with the requirements set forth in Sections 1 and 2 of this Article and may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of the joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one (1) member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either, separately or both jointly, shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership, except as otherwise provided in Section 4(c) of this Article;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that the candidate meets the qualifications for such office.

**Section 4 – Conversion of Membership.**

(a) A membership may be converted to a joint membership upon the request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor provided, however, that the estate of the deceased shall not be released from any debts due the Corporation.

(c) A joint membership of a husband and wife may be converted to a single membership upon written request of both holders of the joint membership, provided, however, that neither spouse shall be released from any debts due the Corporation. The continuing member shall agree to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.

**Section 5 – Membership.** Membership is granted upon connection of service and payment of any applicable fees as approved and adopted by the Board.

**Section 6 – Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Corporation all electric energy used on the premises specified in his application for membership and shall pay therefor at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Corporation such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Corporation as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be subject to appropriate regulations, as shall be fixed from time to time by the Corporation. A member shall make available to the Corporation a suitable site for the placement of the Corporation's physical facilities for the furnishing and metering of electric service and will be required to permit the access by the Corporation's authorized agents, etc.

**Section 7 – Termination of Membership.**

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds (2/3) of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Corporation that such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board. The membership of a member who, for a period of six (6) months after service is available to him, has not purchased electric energy from the Corporation may be cancelled by resolution of the Board.

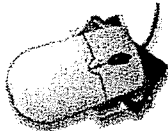
(b) Upon the withdrawal, death, cessation of existence, or expulsion of a member, his or its membership shall thereupon terminate. The Corporation shall refund the amount of the membership fee paid, if any, or the Corporation will apply the amount of the membership fee to any debts or obligations owed by the member to the Corporation. Termination of membership in any manner shall not release a member or his estate from any debts due the Corporation.



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## JPEC Bylaws

### ARTICLE II

#### RIGHTS and LIABILITIES OF MEMBERS

**Section 1 – Property Interest of Members.** Upon dissolution, after:

- (a) all debts and liabilities of the Corporation shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Corporation shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**Section 2 – Non-Liability for Debts of the Corporation.** The private property of the members shall be exempt from either execution or other liability for the debts of the Corporation and no member shall be liable or responsible for any debts or liabilities of the Corporation.

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## JPEC Bylaws

### ARTICLE III

#### MEETINGS OF MEMBERS

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**Section 1 – Annual Meeting.** The Annual Meeting of the members shall be held during the months of June, July, or August of each year at such place within a county served by the Corporation, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of receiving reports for the previous fiscal year and discussing such other matters as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the Annual Meeting. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Corporation.

**Section 2 – Special Meetings.** Special meetings of the members may be called by resolution of the Board or upon a written request signed by any three (3) directors, by the Chair, or by ten (10) per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one (1) of the counties served by the Corporation as designated by the Board and shall be specified in the notice of the special meeting.

**Section 3 – Notice of Member Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**Section 4 – Quorum.** As long as the total number of members does not exceed five hundred (500), ten (10) per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred fifty (150) members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of members present in person.

**Section 5 – Business to be Voted Upon by Members and Voting Thereon.** The transaction of all business of the Corporation requiring a vote of the membership shall be transacted by a mail ballot, except as otherwise provided in these Bylaws. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. The Board shall designate eight (8) members, one from each district, who shall constitute a tellers committee responsible for counting the ballots received when



submitting such a question. The members of the tellers committee shall be at least eighteen (18) years of age and shall not be existing Corporation employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof; nor shall anyone having a conflict of interest with the question being raised serve as a teller.

The Corporation shall provide a self-addressed envelope postage prepaid for the purpose of returning the ballot. The ballot, when received by the Corporation, shall be placed in the box or boxes provided by the Corporation for holding director ballots. The box or boxes shall be locked and the key or keys delivered to the tellers committee at such time as the committee shall determine. The results shall be certified to the Board by the tellers committee.

**Section 6 – Vote on Questions Directed by Member Meetings.** By a majority vote of the members present at any regular or special meeting of the members conducted pursuant to these Bylaws, the Board may be directed to submit any question to the whole membership for a vote by mail ballot.

**Section 7 – Order of Business.** The order of business at the Annual Meeting of the members and, so far as possible, at all other meetings of the members, may be essentially as follows, except as otherwise determined by the members at such meeting:

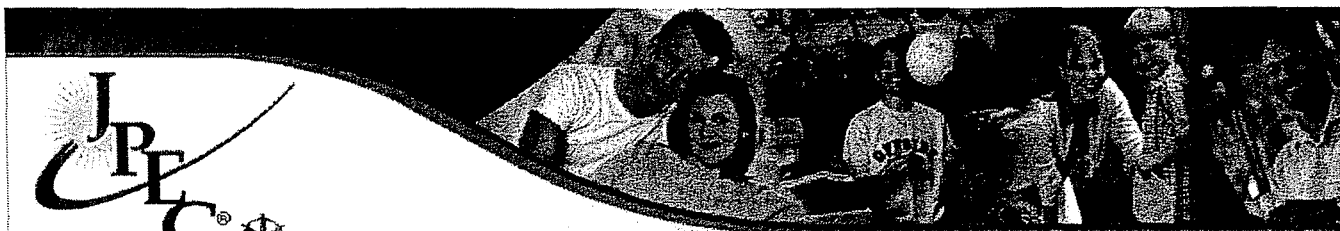
- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors and committees.
- (e) Tellers' report of election of directors and any other balloting.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

**Section 8 – Proxies.** At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy:

- (a) is registered with the Corporation at its principal office during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be;
- (b) is executed by the member in writing and designates the holder thereof, which holder shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member or another member who is a natural person; and
- (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two (2) or more proxies for the same meeting or for any adjournment thereof, the most recently-dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No person may vote as proxy for more than three (3) members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

Notwithstanding the foregoing provisions of this section, no member shall be entitled to vote by proxy on any question submitted to the members at the members' meeting under Article VIII of these Bylaws.

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## JPEC Bylaws

### ARTICLE IV

#### DIRECTORS

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**Section 1 – General Powers.** The business and affairs of the Corporation shall be managed by a Board of eight (8) directors which shall exercise all the powers of the Corporation except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

**Section 2 – Election and Tenure of Office.** Each director shall serve for a term of four (4) years. At the time specified herein every two (2) years, four (4) directors shall be elected by mail ballot by and from the members to serve for a period of four (4) years or until successors shall have been elected and qualified, the present terms of the directors having been established so that four (4) terms expire every two (2) years. The results of such elections shall be reported at each Annual Meeting of the members.

**Section 3 – Qualifications.** No person shall be eligible to become or remain a director of the Corporation who:

- (a) is not a member in good standing and bona fide permanent resident of the district he represents in the certified territory of the Corporation for at least six (6) months prior to the deadline for filing a petition for candidacy; or
- (b) is in any way employed by or has a financial interest in or is a Board member of a competing enterprise selling electrical energy or supplies to the Corporation; or
- (c) is not at least eighteen (18) years of age upon the filing of a petition for candidacy; or
- (d) who is an employee of the Corporation, a former employee involuntarily terminated from employment with the Corporation or is a close relative of an employee of the Corporation or a sitting director of the Corporation. A close relative shall include the relationships by blood or marriage of husband, wife, father, mother, son, daughter, brother, or sister.

Notwithstanding any of the foregoing provisions of this section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be reelected as a director if he becomes a close relative of another incumbent director or of a Corporation employee because of a marriage to which he was not a party.

Upon establishment of the fact that a director is holding the office in violation of any of the foregoing provisions, the Board shall remove such director from office.

Nothing in this section shall affect in any manner whatsoever the validity of any taken at any meeting of the Board.

#### Section 4 – Filing and Election of Directors.

- (a) In order to assure broad geographical representation and, at the same time, equitable proportional representation, the territory served or to be served by the Corporation shall be divided into eight (8) districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one (1)

Board member. The eight (8) districts shall be as follows:

District 1 – The area north of the Cumberland River in Livingston County.

District 2 – The area south of the Cumberland River in Livingston County.

District 3 – All the Corporation service area in Marshall County.

District 4 – All the Corporation service area in Graves County, Carlisle County and that portion of Ballard County lying south of Highway 286 as it exists in the year 1969.

District 5 – Ballard District—All of the Corporation service area lying north of Highway 286 as it exists in the year 1969.

District 6, 7, and 8 as follows:

Beginning at the point where Massac Creek flows into the Ohio River, the Massac Creek shall be the boundary line from the Ohio River extending in a southeastern direction to the head of the Massac Creek at the point where State Highway 999, extending south and parallel with US 45, makes a junction with the Krebs Stations Road. From this road junction, the boundary line takes the nearest southeastern line (approximately one [1] mile to the head of the Blizzard Bottom Ditch to a point one [1] mile west of the Oaks Road). The boundary line then shall extend due south to the Graves County line. US 62 and State Highway 286 shall be the boundary line from Massac Creek extending southwest to the Ballard County line.

District 6 - McCracken County Area 1 – That area within the boundaries of Massac Creek on the east, Highway 62 and 286 on the south and Ballard County line on the west and the Ohio River to the north.

District 7 - McCracken County Area 2 – That area within the boundaries of Massac Creek on the northeast and Highway 62 and 286 on the northwest, Ballard County line on the west, Graves County to the south, and on the east by the line one (1) mile west of the Oaks Road and the Blizzard Bottom Ditch to the Massac Creek.

District 8 - McCracken County Area 3 – That area bordered by the Marshall County line on the east, the Graves County line on the extreme south, the line one (1) mile west of the Oaks Road along with the Blizzard Bottom Ditch and Massac Creek to the west and on the north and northeast by the Ohio River Paducah area and the Tennessee River.

Not less than sixty (60) days before the deadline for filing a petition for candidacy, the Board shall review the composition of the several districts, and, if it finds the best interests of the Corporation and its members will be served thereby, shall reconstitute the districts forthwith.

(a) Filing Petition for Election. Any member qualified under these Bylaws may file as a candidate for one of the directors elected by filing a petition as herein required. The petition shall set forth the name and address of the candidate and the area the candidate seeks to serve. The petition shall be signed by at least fifty (50) members of the Corporation, which signatures shall appear below the following statement: "We, the following members of Jackson Purchase Energy Corporation, do endorse the candidacy of the foregoing named member for membership on the Board of Directors to serve the district above designated." The petition shall be filed in the month of April. It shall be filed at the office of the Corporation with the President/CEO or his designated representatives by the close of business on the last regular working day of the Corporation in the month of April. Prior to the month in which the petition is to be filed, the President/CEO shall designate at least three (3) employees authorized to receive such petition in his absence. His designation shall be posted in public view. The President/CEO or his authorized representative shall give the candidate a receipt noting the time and day of receiving the petition and the same information shall be endorsed on the petition and signed by both the candidate and President/CEO or his designated representative. The President/CEO or his authorized representative shall examine the signatures on the petition to determine whether all such signatures or more than fifty (50) of the same, are members of the Corporation, and, if they are, the candidate shall

be notified of the status of his petition within seven (7) working days.

**(b) Ballot.** After the time for filing petitions has expired, a ballot containing the name of each candidate shall be prepared by the Corporation. In the event more than one (1) candidate files for a vacancy, a drawing shall be held on the first working day in the month of May at the hour of 10 a.m. (prevailing time) in order to determine the order in which such candidates' names shall appear on the ballot. Each candidate, or his representative, may be present and participate in the drawing. The ballot shall be so prepared that it clearly indicates the districts from which directors are being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark his ballot for only one (1) candidate in each district. The ballot shall not be prepared in any way to make it possible to determine which member voted it. The ballot shall state that in order for it to be valid and counted, it must be deposited in the United States mail in sufficient time for it to be received by the Corporation prior to 10 a.m. (prevailing time) on the day preceding the day set for Annual Meeting. The ballots shall be numbered consecutively, beginning with the number one (1).

**(c) Election Tellers.** Immediately upon expiration of the time provided for filing candidacy petitions, the Secretary to the Corporation shall notify each candidate in writing that he is entitled to name one (1) election teller and one (1) alternate election teller. The alternate shall serve in the absence of the teller. Each candidate shall name his teller and alternate by notifying the Secretary by return mail within ten (10) days after receipt of the notice. After each candidate has named his teller and alternate, the Board shall designate the time for the first meeting of tellers. The Board shall name as many election tellers as are necessary to insure that there is always a minimum of twelve (12). All election tellers shall be at least eighteen (18) years of age and shall not be existing Corporation employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof. At the first meeting of the tellers, a chairman shall be selected. The Board shall issue an invitation to the Kentucky Farm Bureau to act as monitors and observe the election process.

**(d) Mailing of Ballots.** A ballot shall be mailed to each member of the Corporation at least fourteen (14) days before the date set for the Annual Meeting. The mailing of ballots shall be the responsibility of and shall be accomplished under the supervision of the election tellers. A list of all members entitled to a ballot shall be prepared by the Corporation. The election tellers shall compare the addressed ballots with the list to insure that each member entitled to a ballot is mailed one, and they shall certify the same. The said list shall be available for inspection by any member. All members, as of the day on which ballots are mailed, shall be entitled to receive a ballot. The ballots shall be addressed to the mailing address to which the member's bill is mailed. The accuracy of the United States mail shall be presumed and no member whose name appears on the above list as having received a ballot shall then be given a second ballot.

**(e) Voting of Ballots and Returning Ballots.** A self-addressed envelope bearing a postal permit for postage shall be sent to each member with the ballot. This return envelope shall be pre-addressed to the election tellers at a post office box in the United States Post Office at Paducah, Kentucky. A member shall return his ballot in this pre-addressed envelope so that it is deposited in the post office box secured by the election tellers. To be valid, all returned ballots shall be deposited in the United States mail. The inclusion of more than one (1) ballot in one envelope shall not disqualify any such ballots for that reason. The Corporation shall provide at the office of the Corporation a secure and locked box or boxes in which the ballots shall be placed. There shall be two (2) locks placed on each box or boxes. Prior to the time ballots are to be returned, the election tellers shall meet and designate two (2) of their number to pick up ballots at the United States Post Office and place them in the box or boxes provided for that purpose. Each of the two (2) tellers so designated shall be given all keys to one (1) of the two (2) locks on each box. Both tellers shall together call at the United States Post Office for the returned ballots. Together they shall directly take the ballots to the Corporation, each teller using his key to unlock one (1) of the two (2) locks on the box, place the ballots in the box and again lock the box. No ballot shall at any time be opened or tampered with. Any ballots returned to the Corporation under any circumstances shall be immediately placed in the custody of the tellers committee.

**(f) Counting Ballots.** The ballots shall be counted on the day preceding the day set for the Annual Meeting. The election tellers shall meet at 9:00 a.m. (prevailing time) on that day for the purpose of counting the ballots. It shall be the responsibility of the Chairman to organize the counting procedure. The (2) tellers previously designated for

the purpose shall immediately check at the United States Post Office to see if there are any ballots in the possession of the Post Office not yet delivered to the Corporation. When it has been determined that all ballots then in possession of the Post Office have been delivered to the tellers, the tellers shall proceed to count the ballots. No ballot will be picked up at the Post Office after 10 a.m. (prevailing time) on the day set for counting of ballots. The two (2) tellers holding the keys to the box or boxes shall open the same in the presence of all tellers.

(g) Duties of Election Tellers. It shall be the duty of the election tellers to ensure that a ballot is mailed to each member entitled to a ballot, to receive the returned ballots in the envelopes unopened, open the same in the presence of each other and determine the number of votes received by each candidate. As the ballots are counted, the election teller shall determine the validity of each ballot. Any one (1) election teller may challenge a ballot. A ballot may be disqualified by a majority of all election tellers. A tie vote of election tellers shall fail to disqualify a ballot.

The following shall not be counted:

- (a) A vote marked for more than one (1) candidate for any one (1) vacancy;
- (b) Ballots other than the official ballot; and
- (c) Ballots arriving late.

The following may be counted:

- (a) Ballots on which the mark is not in the place provided but does show the intention of the voter; and
- (b) Ballots on which there is an erasure or change of intention shown or possible tampering, but the tellers are still able to determine the true intention of the voter.
- (c) Certification of Results. The election tellers shall, on a form provided by the President/CEO, certify by their signatures the number of votes received by each candidate. The report shall be read to the members by the chairman of the tellers during the business session of the Annual Meeting on the next succeeding day.

**Section 5 – Removal of a Director by Members.** Any member may bring charges for cause against a director and may request the removal of such director by reason thereof by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the then-total membership of the Corporation, which petition calls for a special member meeting, the stated purpose of which shall be to present such charges to the members, and which specified the place, time and date thereof within not less than forty-five (45) days after the filing of such petition or request that the matter be presented to the members at the next Annual Meeting of the members if the same will be held no sooner than ninety (90) days after such petition is filed. Each page of the petition shall, in the forepart thereof, state the name and address of the member filing such charges, a verbatim statement of such charges and the name of the director against whom such charges are being made. Notice of such charges verbatim, the director against whom the charges have been made and of the member filing the charges shall be contained in or accompany the notice of the meeting to the members not less than ten (10) days prior to the member meeting. Such director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard, in person or by counsel, and present evidence in respect to the charges, and shall be heard last; and the person or persons bringing the charges against him shall have the same opportunity. If approved by a majority vote of the members present at any annual or special meeting, and provided there is some evidence in support of the charges against the director presented during the meeting, the question of such removal shall be submitted to the members within thirty (30) days following the meeting of the members by sending a ballot to every member setting forth the question of such removal so that it might be answered "yes" or "no," and the ballots shall be returned within ten (10) days after they are mailed. The ballots shall be counted by tellers named by the Board as provided in Article III, Section 5. A director shall be removed by a majority vote of the members voting.

The chairman of the said special or regular meeting shall be a licensed attorney appointed by the attorney to the Board, and the Corporation shall compensate him for his services. A charge that a director has, in a lawful manner, opposed or resisted any effort to sell, transfer, exchange, convey or otherwise dispose of all or a substantial portion of the Corporation's properties and assets or to dissolve the Corporation shall not constitute a "charge for cause" on the basis of which a director may be removed from office under this section. If the question of removal is in the affirmative, the vacancy shall be filled in accordance with Article IV, Section 6 of these Bylaws.

**Section 6 – Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, or vacancies caused by the death or resignation of directors, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining directors with a member who meets the qualifications required under these Bylaws for such director position, and the member so appointed shall serve the unexpired portion of the term of the member who has vacated his position on the Board.

**Section 7 – Compensation.** Directors shall not receive any salary for their services as such, except that the Board may, by resolution, authorize a fixed sum for each day or portion thereof spent on Corporation business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Corporation business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Corporation in any other capacity, nor shall any close relative of a director receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The members may, by resolution, fix a maximum sum which the directors may authorize for the payments of attendance fees and expense allowances. As per the 1998 Annual Meeting, the members have set the maximum sum for director fees as follows:

- (a) Board Chair \$12,000/calendar year
- (b) Directors seeking certification \$ 9,000/calendar year
- (c) All other directors \$ 8,000/calendar year

In addition, the Board will publish a listing of the amount of fees and expenses paid to each director for the previous calendar year prior to the Annual Meeting.



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## JPEC Bylaws

### ARTICLE V

#### MEETING OF DIRECTORS

Bylaws
<a href="#">Article I</a>
<a href="#">Article II</a>
<a href="#">Article III</a>
<a href="#">Article IV</a>
<a href="#">Article V</a>
<a href="#">Article VI</a>
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<a href="#">Article VIII</a>
<a href="#">Article IX</a>
<a href="#">Article X</a>
<a href="#">Article XI</a>
<a href="#">Article XII</a>

**Section 1 – Regular Meetings.** A regular meeting of the Board shall be held without notice, immediately after, and at the same place as the Annual Meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place in McCracken County, Kentucky, as the Board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

**Section 2 – Special Meetings.** Special meetings of the Board may be called by the Chair or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chair, or the directors calling the meeting, shall fix the time and place (which shall be in McCracken County, Kentucky) for the holding of the meeting.

**Section 3 – Notice of Director Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chair or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Corporation, with postage thereon prepaid.

**Section 4 – Quorum.** A majority of the Board shall constitute a quorum; provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

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## JPEC Bylaws

### ARTICLE VI

#### OFFICERS

**Section 1 – Number.** The officers of the Corporation shall be a Chair, Vice-Chair, Secretary, Treasurer and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

**Section 2 – Election and Term of Office.** The officers shall be elected by ballot, annually by and from the Board at the meeting of the Board held immediately after the Annual Meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding Annual Meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

**Section 3 – Removal of Officers and Agents by Directors.** Whenever the Board, for good cause and in its judgment to serve the best interests of the Corporation, determines that any officer or agent elected or appointed by the Board should be removed, the Board has the power to do so.

**Section 4 – Chair.** The Chair:

(a) shall be the principal executive officer of the Corporation and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;

(b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and

(c) shall, in general, perform all duties incident to the office of Chair and such other duties as may be prescribed by the Board from time to time.

**Section 5 – Vice-Chair.** In the absence of the Chair, or in the event of his inability or refusal to act, the Vice-Chair shall perform the duties of the Chair, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chair. The Vice-Chair shall also perform such other duties from time to time as may be assigned to him by the Board.

**Section 6 – Secretary.** The Secretary shall be responsible for:

(a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;

Bylaws
<a href="#">Article I</a>
<a href="#">Article II</a>
<a href="#">Article III</a>
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(b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;

(c) the safekeeping of the corporate books and records and the seal of the Corporation and affixing the seal of the Corporation to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws;

(d) keeping a register of the names and post office addresses of all members;

(e) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Corporation containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Corporation, a copy of the Bylaws and of all amendments thereto to any member upon request; and

(f) in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

**Section 7 – Treasurer.** The Treasurer shall be responsible for:

(a) custody of all funds and securities of the Corporation;

(b) the receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of the Corporation in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and

(c) in general, performance of all duties as from time to time may be assigned to him by the Board.

**Section 8 – President/CEO.** The Board may appoint a President/CEO who may be, but who shall not be required to be, a member of the Corporation. The President/CEO shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**Section 9 – Bonds of Officers.** The Treasurer and any other officer or agent of the Corporation charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the Corporation to be bonded in such amount and with such surety as it shall determine.

**Section 10 – Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws in Article IV, Section 7, with respect to compensation for directors and close relatives of directors.

**Section 11 – Reports.** The officers of the Corporation shall submit at each Annual Meeting of the members reports covering the business of the Corporation for the previous fiscal year. Such reports shall set forth the condition of the Corporation at the close of such fiscal year.

**Section 12 – Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one (1) or more agents, other officers or employees of the Corporation who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.





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## JPEC Bylaws

### ARTICLE VII

#### NONPROFIT OPERATION

**Section 1 – Interest or Dividends on Capital Prohibited.** The Corporation shall, at all times, be operated on a Corporation nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons.

**Section 2 – Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of energy, the Corporation's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a nonprofit basis, the Corporation is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the patrons, as capital. The Corporation is obligated to pay, by credits, to a capital account for each patron, all such amounts in excess of operating costs and expenses. The books and records of the Corporation shall be set up and kept in such a manner that, at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. Each patron shall have the right, within a reasonable time after the close of the Corporation's fiscal year, to request a disclosure of the amount of capital so credited to his account. The Corporation shall respond to such a request within ten (10) working days from the date of the request or as promptly thereafter as possible.

Bylaws
<a href="#">Article I</a>
<a href="#">Article II</a>
<a href="#">Article III</a>
<a href="#">Article IV</a>
<a href="#">Article V</a>
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All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Corporation corresponding amounts for capital. All other amounts received by the Corporation from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or any prior fiscal year; and
- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation shall have been paid, outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Corporation will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Corporation being first retired.

Capital credited to the account of each patron shall be assignable only on the books of

the Corporation pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy, in all or a part of such patron's premises served by the Corporation unless the Board acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby.

The Corporation, before retiring any capital credited to any patron's account, shall deduct therefrom any delinquent amount owing by such patron to the Corporation, together with interest thereon at the legal rate of judgments in effect when such amount became overdue, compounded annually.

The patrons of the Corporation, by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Corporation and each patron, and both the Corporation and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Corporation by posting in a conspicuous place in the Corporation's office.



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## JPEC Bylaws

### ARTICLE VIII

#### DISPOSITION OF PROPERTY

I. Not inconsistently with the provisions of KRS 279.140 and subsection 2, the Corporation shall not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its properties and assets unless such sale, mortgage, lease or other disposition or encumbrance is authorized by a majority of the then-total members of the Corporation, cast in person, at a duly held meeting of the members. No member shall be entitled to vote by proxy on any question submitted to the members under this Article. Notwithstanding anything herein contained, the Board, without authorization of the members thereof, shall have full power and authority to:

Bylaws
<a href="#">Article I</a>
<a href="#">Article II</a>
<a href="#">Article III</a>
<a href="#">Article IV</a>
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(a) Sell or otherwise dispose of:

1. Property which, in the judgment of the Board, neither is nor will be necessary or useful in maintaining the Corporation's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten (10) per centum of the value of all of the property of the Corporation (value shall be defined as the total utility plant value);
2. Services of all kinds, including electric energy;
3. Personal property and merchandise acquired for resale; and
4. Properties and assets sold in the ordinary course of business.

(b) Authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all of the properties, assets, rights, privileges, licenses, franchises and permits of the Corporation, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Corporation to the United States of America or any instrumentality or agency thereof or any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service (hereinafter "RUS"); provided further that the Board may upon the affirmative vote of a majority of members voting by mail ballot as set forth in Article III, Section 5, of these Bylaws, sell, lease or otherwise dispose of all or a substantial portion of its properties and assets to another Corporation or foreign corporation doing business in this state pursuant to the act under which this Corporation is incorporated.

II. Supplementary to the first sentence of the foregoing subsection (1) and any other applicable provisions of law or these Bylaws, no sale, mortgage, lease or other disposition of all or any substantial portion of the Corporation's properties and assets ("transactions") shall be authorized except in conformity with the following:

(a) If the Board looks with favor upon any proposal for any such transaction, it shall first appoint three (3) persons, each of whom is independent of the Corporation and of the other two (2) and is expert in electric utility property evaluations, and commission them separately to study, appraise and evaluate such assets and properties, including

their going concern value and the values associated with the rights of the members to participate in the ownership and control of the Corporation. Such appraisers shall be instructed to, and shall take into account, any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than sixty (60) days after their appointment and commission, each appraiser shall render his highest determination of such present value. The Board shall not recommend and submit any proposal it shall have received for such a transaction, or make any offer of such a transaction for a consideration that is less than the highest such determination rendered by the appraisers; nor shall it, following the expiration of one (1) year thereafter, make such a recommendation or offer without, again, first complying with the foregoing appraisal requirements.

(b) If, after receiving such appraisals, the Board resolves to pursue the matter further, it shall, within sixty (60) days after adoption of such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation and electric utility corporately sited and operating in Kentucky and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Corporation. Such appraisals shall also be accompanied by any proposal for such a transaction received by the Corporation; PROVIDED, only the most recent proposal from an entity that has made two (2) or more proposals need be so transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.

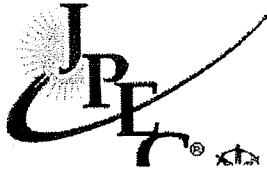
- If, after such date, the Board so resolves, it shall recommend and submit to the members: [1] a proposal for such a transaction, or [2] a proposal to merge or consolidate the Corporation with one (1) or more other electric membership corporations. The Board may recommend and submit two (2) or more such proposals in the alternative, in which case it shall specify its preference as to which shall be approved by the members -- that is, first choice, second choice, etc.—and the order in which such alternatives will be considered and acted upon at the meeting. The Board shall accompany its recommended proposal(s) with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals and any underlying data and information that may have accompanied such appraisals. The Board shall submit such recommendation and information to the members and shall at the same time call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in either case, stating in detail each of any such proposals. The special or annual meeting shall be held not sooner than ninety (90) days after the giving of such notice thereof.

(d) Ten (10) per centum of the then-total membership of the Corporation may, over their respective signatures and within not less than forty-five (45) days prior to the date of such member meeting, petition the Corporation to mail to all of the Corporation's members any statement of opposition to the Board's recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Corporation with one (1) or more other electric membership corporations, be submitted to and acted upon by the members at such meeting, in which event, the Board shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the Corporation's members via the United States mail not less than twenty-five (25) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Corporation. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The meeting shall first consider and act upon the recommendation(s) of the Board. If two (2) or more alternative such recommendations have been made by the Board, they shall be considered and acted upon in the order specified by the Board. If the members fail to approve any Board-recommended proposal, they shall then consider and act upon the competing, alternative proposal(s) which have, by petition, been submitted by the members in the order in which they were received, if two (2) or more such proposals have been submitted, or in the order of priority specified in a petition. The members may take such action on such proposal(s) as may be legally availing to them.

**III.** No offer of such a transaction, whether made to or by the Board, shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefor, to the extent that the same is in excess of the amounts necessary to discharge, or to provide for the discharge of, all of the Corporation's debts, obligations and liabilities, shall be distributed to or, if such be the case, allocated and assigned to the patrons or former patrons of the Corporation in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

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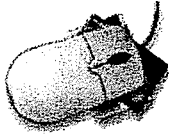




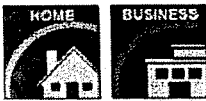
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## JPEC Bylaws

### ARTICLE IX

The corporate seal of the Corporation shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Kentucky".

#### Bylaws

- [Article I](#)
- [Article II](#)
- [Article III](#)
- [Article IV](#)
- [Article V](#)
- [Article VI](#)
- [Article VII](#)
- [Article VIII](#)
- [Article IX](#)
- [Article X](#)
- [Article XI](#)
- [Article XII](#)

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## JPEC Bylaws

### ARTICLE X

#### FINANCIAL TRANSACTIONS

**Section 1 – Contracts.** Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances.

**Section 2 – Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Corporation, shall be signed and countersigned by such officer or officers, agent or agents, employee or employees of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

**Section 3 – Deposits.** All funds received by the Corporation shall be deposited from time to time to the credit of the Corporation in such bank or banks as the Board may select.

**Section 4 – Change in Rates.** Written notice shall be given to the Administrator of the RUS of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Corporation for electric energy becomes effective.

**Section 5 – Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

**Section 6 – Indemnification of Officers, Directors, Employees and Agents.** The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by, or in the right of, the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, association, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had not reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, employee or agent of the Corporation has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in aforesaid paragraph, (and, in addition, actions by or in the right of, the Corporation) of any claim, issue or matter therein, such person shall be indemnified

Bylaws
<a href="#">Article I</a>
<a href="#">Article II</a>
<a href="#">Article III</a>
<a href="#">Article IV</a>
<a href="#">Article V</a>
<a href="#">Article VI</a>
<a href="#">Article VII</a>
<a href="#">Article VIII</a>
<a href="#">Article IX</a>
<a href="#">Article X</a>
<a href="#">Article XI</a>
<a href="#">Article XII</a>

against expenses (including all costs of defense) actually and reasonably incurred by such person in connection therewith.

The indemnity herein provided shall be coextensive with those authorized under Kentucky Revised Statute Chapter 271B and shall be effective in accordance with all of the terms and conditions of such statute.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, association, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of these Bylaws.



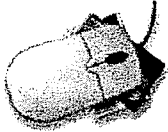
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## JPEC Bylaws

### ARTICLE XI

#### MISCELLANEOUS

**Section 1 – Membership in Other Organizations.** The Corporation shall not become a member of or purchase stock in any other organization without an affirmative vote of the members by mail ballot as set forth in Article III, Section 5 of these Bylaws upon such proposed membership or stock purchase; provided, however, that the Corporation may, upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

**Section 2 – Waiver of Notice.** Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

**Section 3 – Policies, Rules and Regulations.** The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Corporation.

**Section 4 – Accounting System and Reports.** The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Corporation as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following Annual Meeting.

**Section 5 – Area Coverage.** The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Corporation service area who (a) desire such service, and (b) meet all reasonable requirements established by the Corporation as a condition of such service.

Bylaws
<a href="#">Article I</a>
<a href="#">Article II</a>
<a href="#">Article III</a>
<a href="#">Article IV</a>
<a href="#">Article V</a>
<a href="#">Article VI</a>
<a href="#">Article VII</a>
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## JPEC Bylaws

### ARTICLE XII

#### AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all of the directors at any regular or special meeting, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In the event the Board finds a need for alteration, amendment or repealing of Articles II, III, IV, VII, VIII, XI or XII of the Bylaws, such proposed alteration, amendment or repeal shall first be submitted to the members by mail ballot for their approval or disapproval of the proposed action of the Board. Upon an approval vote of the membership of such proposed alteration, amendment or repeal, such change would take effect immediately. A disapproval vote by the membership would leave the Bylaws language unchanged.

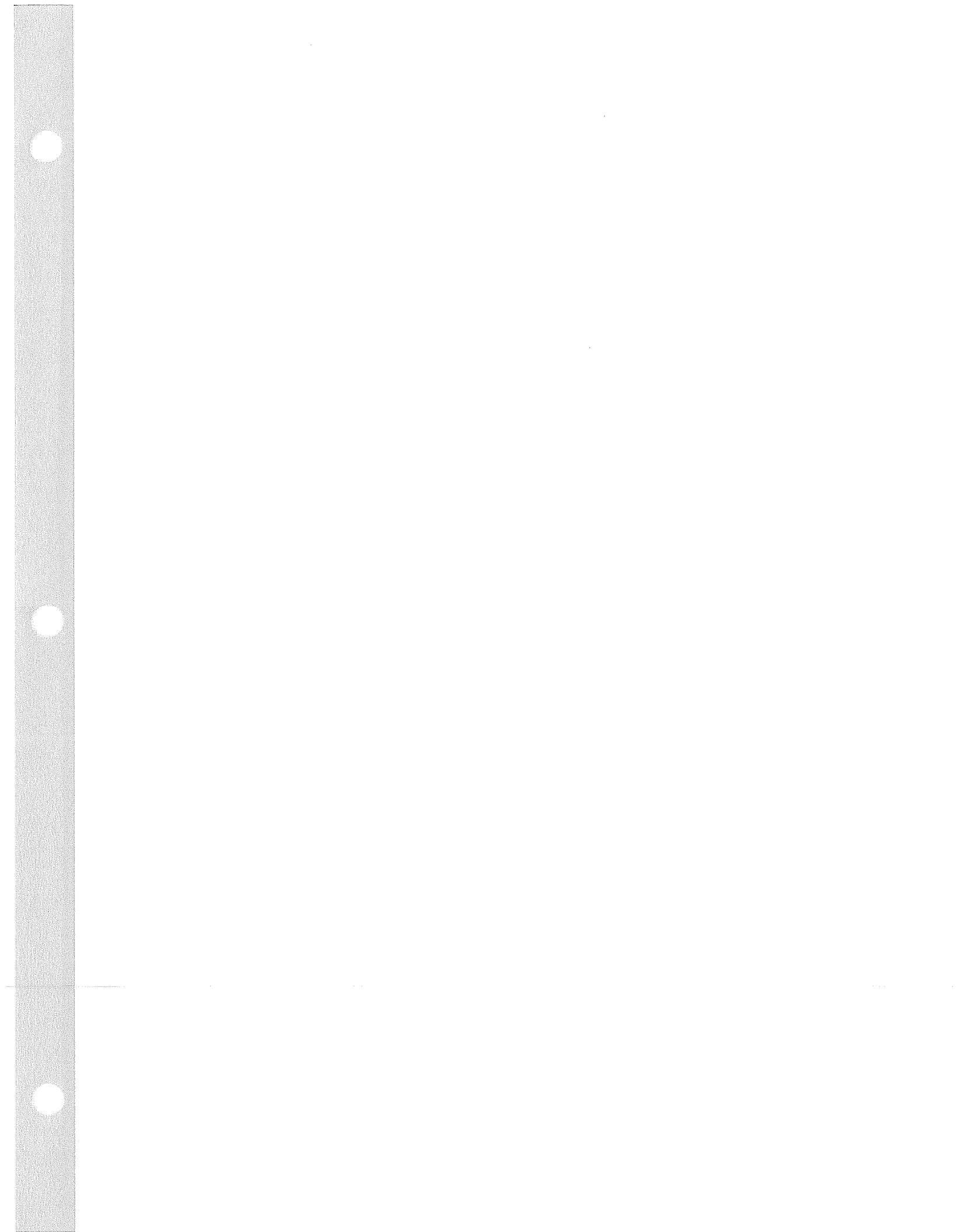
Bylaws
<a href="#">Article I</a>
<a href="#">Article II</a>
<a href="#">Article III</a>
<a href="#">Article IV</a>
<a href="#">Article V</a>
<a href="#">Article VI</a>
<a href="#">Article VII</a>
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<a href="#">Article IX</a>
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<a href="#">Article XI</a>
<a href="#">Article XII</a>

#### STATEMENT OF NONDISCRIMINATION

Jackson Purchase Energy Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants, including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

"Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Utilities Service, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than one hundred eighty (180) days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations."

Your Touchstone Energy Partner



**RESOLUTION OF THE BOARD OF DIRECTORS**  
**of**  
**JACKSON PURCHASE ENERGY CORPORATION**  
Paducah, Kentucky

**WHEREAS**, the above named borrower ("Borrower"), under its articles of incorporation, bylaws, or other organizational documents has full power and authority to borrow money and to secure the same with its own property and property delivered to it for marketing or otherwise; and

**WHEREAS**, all prerequisite acts and proceedings preliminary to the adoption of this Resolution have been taken and done in due and proper form, time and manner;

**NOW, THEREFORE, BE IT RESOLVED**, that each of the following officers or positions (line out any not to be authorized under this Resolution) Chair, Vice Chair, Secretary/Treasurer, and President/CEO ("Officers") of the Borrower are jointly and severally authorized and empowered to obtain for and on behalf of the Borrower from time to time, from CoBank, ACB ("CoBank"), a loan or loans or other financial accommodations (including, without limitation, letters of credit, note purchase agreements and bankers acceptances) (collectively, a "Loan") under this Resolution in an aggregate principal amount not to exceed **THIRTY FOUR MILLION DOLLARS (\$34,000,000)**; and for such purposes: (1) to execute such application or applications (including exhibits, amendments and/or supplements thereto) as may be required for all borrowings; (2) to obligate the Borrower to pay such rate or rates of interest as the Officers so acting shall deem proper, and in connection therewith to purchase such interest rate risk management products as may be offered from time to time by CoBank; (3) to obligate the Borrower to such other terms and conditions as the Officers so acting shall deem proper; (4) to obligate the Borrower to make such investments in CoBank as required by CoBank; (5) to execute and deliver to CoBank or its nominee all such written loan agreements, documents and instruments as may be required by CoBank in regard to or as evidence of any Loan made pursuant to the terms of this Resolution; (6) to pledge, grant a security interest or lien in, or assign property of the Borrower or property of others on which it is entitled to borrow, of any kind and in any amount as security for any or all obligations (past, present and/or future) of the Borrower to CoBank; (7) from time to time extend, amend, renew or refinance any such Loan; (8) to reborrow from time to time, subject to the provisions of this Resolution, all or any part of the amounts repaid to CoBank on any Loan made pursuant hereto (whether for the same or a different purpose); (9) to execute and deliver to CoBank an Electronic Commerce Master Service Agreement, a separate Service Agreement for each different service requested by the Borrower, and such other agreements, addenda, documents or instruments as may be required by CoBank in the event that the Borrower elects to use CoBank's electronic banking system (the "System"); (10) to execute and deliver to CoBank any agreements, addenda, authorization forms and other documents or instruments as may be required by CoBank in the event that the Borrower elects to use any services or products related to the Loan that are offered by CoBank now or in the future, including without limitation an automated clearing house (ACH) service; (11) to direct and delegate to designated employees of the Borrower the authority to direct, by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purpose, the disposition of the proceeds of any Loan authorized herein or any property of the Borrower at any time held by CoBank; and (12) to delegate to designated employees of the Borrower the authority to request by telephonic or written means or electronically, if the Borrower has agreed to use the System for such purpose, loan advances and/or other financial accommodations, and in connection therewith, to fix rates and agree to pay fees. In the absence of any direction or delegation authorized in (11) or (12) above, all existing directions and/or delegations shall remain in full force and effect and shall be applicable to any Loan authorized herein.

**RESOLVED FURTHER**, That each of the Officers are hereby jointly and severally authorized to: (1) establish a Cash Investment Services Account at CoBank; (2) make such investments therein as any Officer shall deem proper; (3) direct by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purposes, the disposition of the proceeds therein;

(4) delegate to designated employees of the Borrower the authority set forth in (2) and (3) above; and (5) execute and deliver all documents and agreements necessary to carry out this authority.

**RESOLVED FURTHER**, That each of the Officers are hereby jointly and severally authorized and directed to do and/or cause to be done, from time to time, all things which may be necessary and/or proper for the carrying out of the terms of these Resolutions.

**RESOLVED FURTHER**, That all prior acts by the Officers or other employees or agents of the Borrower to accomplish the purposes of these Resolutions are hereby approved and ratified.

**RESOLVED FURTHER**, That any Officer of the Borrower is hereby authorized and directed to cast the ballot of the Borrower in any and all proceedings in which the Borrower is entitled to vote for the selection of a member of CoBank's board of directors or for any other purpose.

**RESOLVED FURTHER**, That these Resolutions shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by CoBank. The authority hereby granted shall apply with equal force and effect to the successors in office of the Officers herein named.

**RESOLVED FURTHER**, That effective on the date when the Loan under these Resolutions becomes available, the following listed Resolutions are hereby revoked: ALL PRIOR BORROWING RESOLUTIONS. No such revocation shall affect the validity of any action or actions made or taken in reliance on such resolution(s) prior to the effective date of revocation.

**RESOLVED FURTHER**, That the Secretary or any Assistant Secretary of the Borrower is hereby authorized and directed to certify to CoBank a copy of these Resolutions, the names and specimen signatures of the present Officers above referred to, and if and when any change is made in the personnel of any said Officers, the fact of such change and the name and specimen signatures of the new Officers. CoBank shall be entitled to rely on any such certification until a new certification is actually received by CoBank.

#### CERTIFICATE

The undersigned, a Secretary or Assistant Secretary of the Borrower, hereby certifies that the Board of Directors, at a meeting duly called, noticed, convened and held on the 8th day of July, 2010, at which a quorum was present, did adopt the foregoing resolutions and that said resolutions have not been revoked or amended in any way.

Dated this 8<sup>th</sup> day of July, 2010.

By:

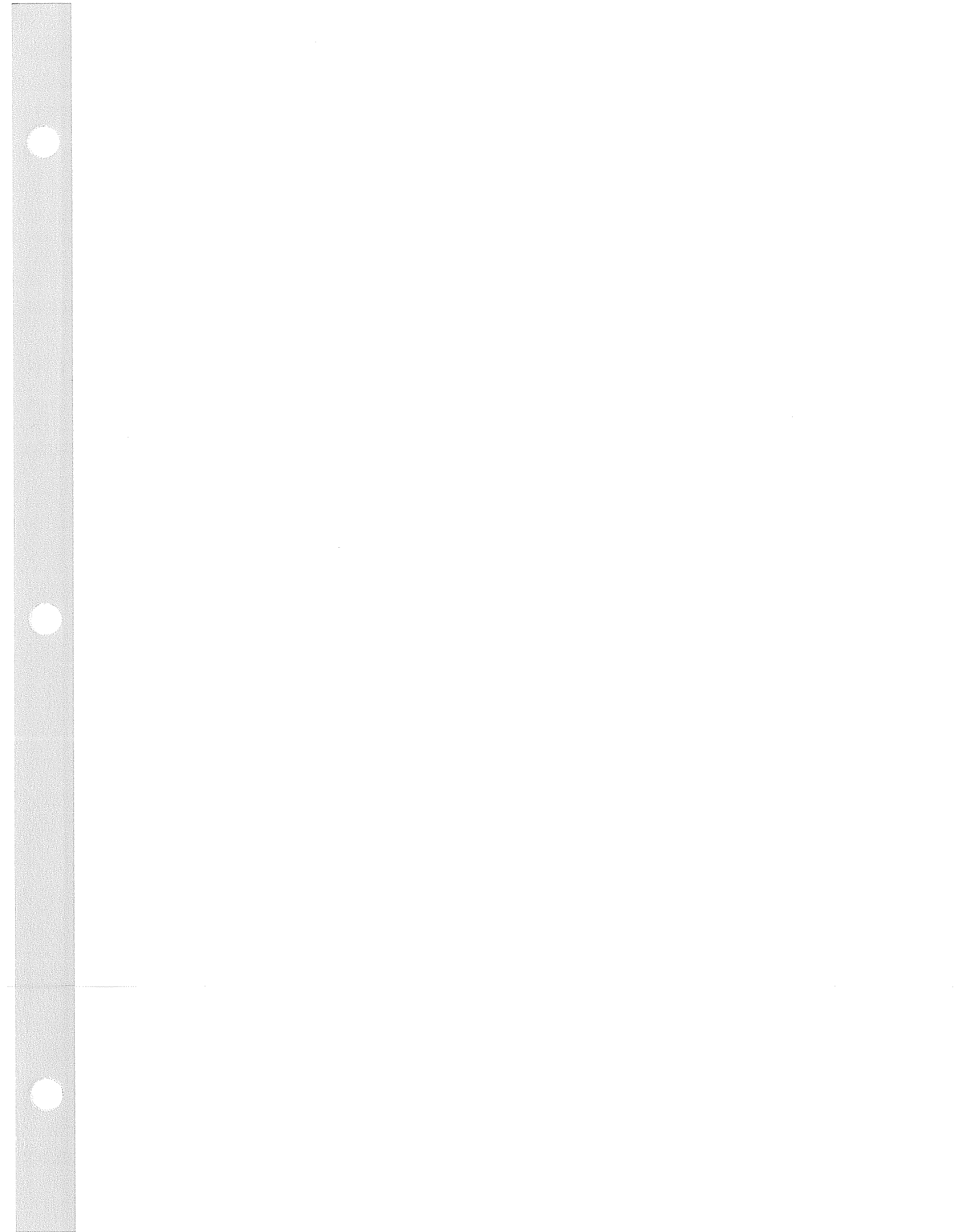


Wayne Elliott

Title:

Secretary or  Assistant Secretary





CoBANK, ACB  
INCUMBENCY CERTIFICATE

The undersigned, as Secretary of the Company named below, hereby certifies that the following persons are the current, duly elected or appointed Officers enumerated in applicable Resolutions of the Company's Board of Directors and that the following are the specimen signatures of those Officers:

OFFICERS

NOTE: INSERT THE NAMES AND OBTAIN THE SIGNATURES OF ONLY THOSE OFFICERS AUTHORIZED BY THE RESOLUTION REFERRED TO ABOVE.

<p>CHAIRMAN</p> <p><i>Gary L. Joiner</i> Signature</p> <p>Gary L. Joiner TYPE or PRINT name</p>
<p>PRESIDENT/CEO</p> <p><i>G. Kelly Nuckols</i> Signature</p> <p>G. Kelly Nuckols TYPE or PRINT name</p>
<p>TITLE: _____</p> <p>Signature</p> <p>TYPE or PRINT name</p>
<p>TITLE: _____</p> <p>Signature</p> <p>TYPE or PRINT name</p>
<p>TITLE: _____</p> <p>Signature</p> <p>TYPE or PRINT name</p>

<p>VICE CHAIRMAN</p> <p><i>Jack S. Marshall</i> Signature</p> <p>Jack S. Marshall TYPE or PRINT name</p>
<p>SECRETARY/TREASURER</p> <p><i>Wayne E. Elliott</i> Signature</p> <p>Wayne Elliott TYPE or PRINT name</p>
<p>TITLE: _____</p> <p>Signature</p> <p>TYPE or PRINT name</p>
<p>TITLE: _____</p> <p>Signature</p> <p>TYPE or PRINT name</p>
<p>TITLE: _____</p> <p>Signature</p> <p>TYPE or PRINT name</p>

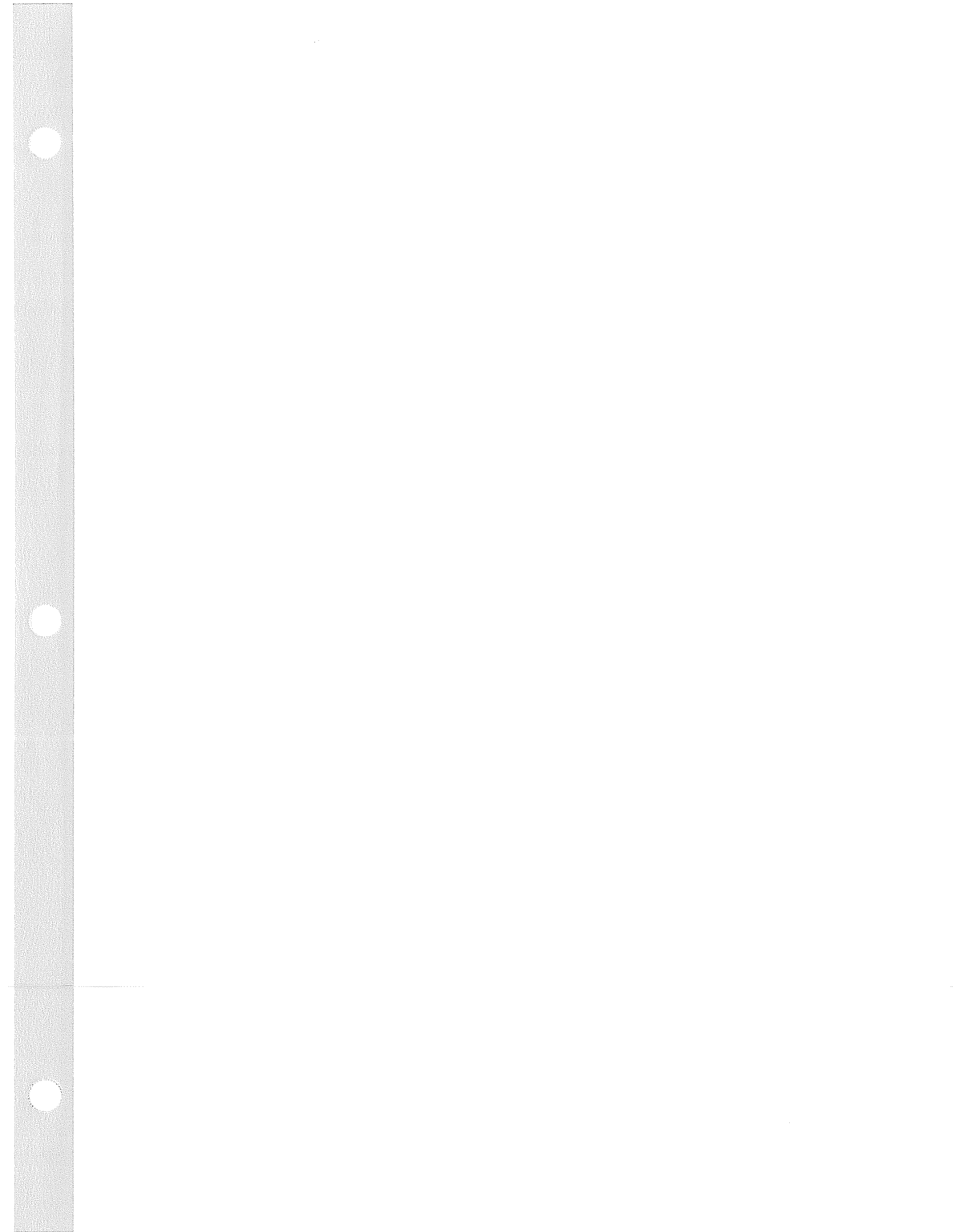
Dated this 8th day of July, 2010.

Change of address?  Yes  No

*Wayne E. Elliott*  
Wayne Elliott, Secretary

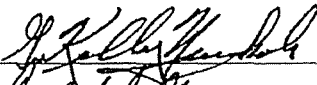


Annual Meeting Month: June

Jackson Purchase Energy Corporation  
2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Phone: (270) 441-0825  
Fax No: (270) 442-5337



**DELEGATION AND WIRE AND ELECTRONIC TRANSFER AUTHORIZATION  
JACKSON PURCHASE ENERGY CORPORATION  
Paducah, Kentucky**

In accordance with our borrowing resolutions, the following individuals have been delegated or are hereby delegated the authority to request, telephonically or in writing or electronically (if the Borrower has agreed to use CoBank's electronic banking system ("CoLink") for such purpose) advances and other financial accommodations from CoBank under all loan and other agreements entered into between the parties. (If more space is needed than provided below, please photocopy this side and include the completed photocopy as an attachment hereto. Be sure to include all employees who are authorized to borrow, including, if applicable, your manager):

<u>Name (Print)</u>	<u>Title</u>	<u>Signature</u>	<u>Tel No (Ext.)</u>
<u>G. KELLY NUCKOLS</u>	<u>PRESIDENT &amp; CEO</u>		<u>270.441.0851</u>
<u>CHARLES G. WILLIAMSON III</u>	<u>VP-FINANCE &amp; ACCOUNTING</u>		<u>270.441.0825</u>
<u>COLLEEN CHATMAN</u>	<u>MANAGER OF ACCOUNTING</u>		<u>270.441.0818</u>

The total number of authorized employees (including any attachments) is THREE (3)

Only the authorized employees listed on this Delegation and Wire and Electronic Transfer Authorization form or on a Supplemental Delegation and Wire and Electronic Transfer Authorization form shall be authorized to access CoLink.

The authorized employees are hereby also delegated the authority to fix rates, negotiate fees, and establish rates of exchange (to the extent such options are provided for in applicable agreements) and to direct CoBank to wire transfer funds to one of the accounts shown on the reverse side hereof or on any attachments hereto. Such authority may be exercised either telephonically or in writing or electronically, if the Borrower has agreed to use CoLink for such purpose. In addition to the above, the authorized employees are hereby delegated the authority to direct CoBank to wire or electronically transfer funds to accounts not shown on the reverse side hereof or on any attachments hereto, whether such accounts are in our name or the name of a third party (e.g. a creditor). In the event we desire to wire or electronically transfer funds to other accounts, we will submit to CoBank a completed copy of one of CoBank's Special Wire and Electronic Transfer Authorization forms or such other documents or instruments as may be required by CoBank, in each case signed by one of the authorized employees. In the event we desire to electronically transfer funds to other internal accounts of the Borrower or other CoBank customers through CoLink, we will submit to CoBank a completed copy of one of CoBank's Supplemental CoLink Electronic Internal Transfer Authorization forms or such other documents or instruments as may be required by CoBank, in each case signed by one of the authorized employees. In the event we desire to electronically transfer funds to other accounts through CoBank's Automated Clearing House (ACH) service, we will submit to CoBank a completed copy of one of CoBank's Authorization Agreement for Automated Clearing House / Procedures for Preauthorization of Payments, or such other documents or instruments as may be required by CoBank, in each case signed by one of the authorized employees.

The total number of accounts shown on the reverse side hereof or on any attachments is ONE (1)

We acknowledge that CoBank may assess charges for wire and electronic transfers and we agree to pay such charges as CoBank may from time to time establish.

In addition to the above, the authorized employees are hereby delegated the authority to invest funds in, and direct the disposition of any funds from, any Cash Investment Services that we may have with CoBank or to otherwise direct the disposition of any other property of ours that CoBank may have. Such authority may be exercised telephonically or in writing or electronically, if the Borrower has agreed to use CoLink for such purpose, and all withdrawals shall be made by wire or electronic transfer to such account or accounts as may be directed in accordance with the terms hereof.

In the event we desire to make changes in the standing authorizations provided for herein, we will submit to CoBank either a revised copy of this form or, in the event of minor changes, one of your Supplemental Delegation and Wire and Electronic Transfer Authorization forms (in each case signed by an officer or employee of the Borrower who is

authorized to delegate authority by board resolution). Until actual receipt by CoBank of such a form, CoBank may continue to rely on these authorizations.

We understand that CoBank may assign to us a personal identification number (or other security code), and an access code to access CoLink, if applicable, for use by the authorized employees, and we agree that we shall be solely responsible for the security and use of such number (or codes). In addition, we understand that CoBank may record some or all of the telephone conversations between the authorized employees and CoBank regarding the exercise of any authority contemplated herein and we hereby consent thereto. Finally, we authorize you to act on any written request sent by facsimile or similar means or on any electronic request sent over CoLink and agree that CoBank shall not be liable to us for any improper use by the authorized employees of the authority contained herein or for acting on any telephonic, written or electronic request made by someone identifying himself or herself as one of the authorized employees.

By: G. KELLY NUCKOLS  
Print Authorized Name

G. Kelly Nuckols  
Authorized Signature - See Board Resolution

Title: PRESIDENT & CEO

Date: July 8, 2010

Note: If more space is needed than provided below, please photocopy this side and include the completed photocopy as an attachment hereto.

Name of Bank PADUCAH BANK TRUST COMPANY  
Location of Bank PADUCAH, KY  
ABA Routing No. 083900402  
Account Name JACKSON PURCHASE ENERGY CORP  
Account No. 0134821  
Special Instructions \_\_\_\_\_

If a correspondent bank is used to route the wire to the destination bank, complete the following:

Name of Bank \_\_\_\_\_  
Location of Bank \_\_\_\_\_  
ABA Routing No. \_\_\_\_\_

Name of Bank \_\_\_\_\_  
Location of Bank \_\_\_\_\_  
ABA Routing No. \_\_\_\_\_  
Account Name \_\_\_\_\_  
Account No. \_\_\_\_\_  
Special Instructions \_\_\_\_\_

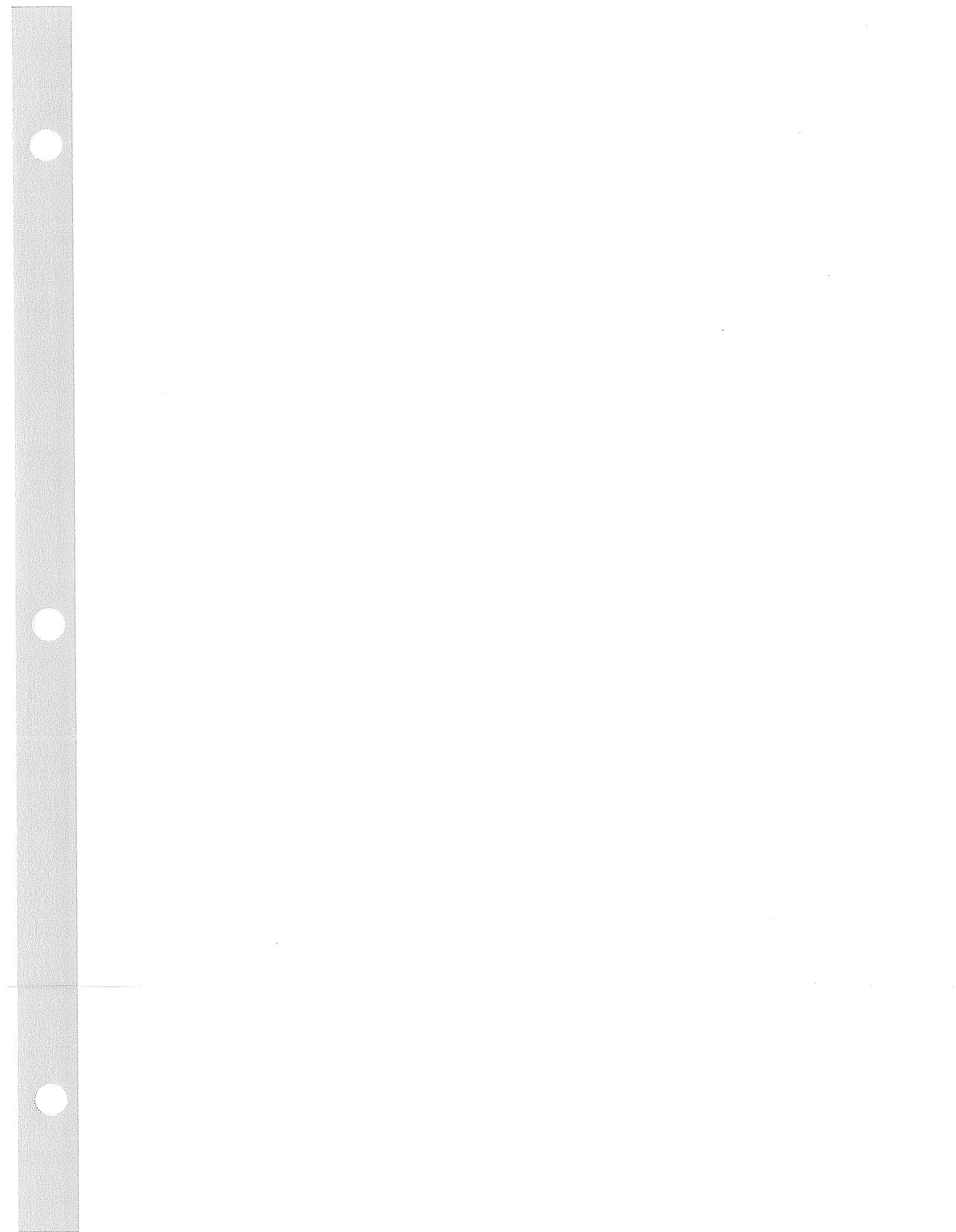
If a correspondent bank is used to route the wire to the destination bank, complete the following:

Name of Bank \_\_\_\_\_  
Location of Bank \_\_\_\_\_  
ABA Routing No. \_\_\_\_\_

Name of Bank \_\_\_\_\_  
Location of Bank \_\_\_\_\_  
ABA Routing No. \_\_\_\_\_  
Account Name \_\_\_\_\_  
Account No. \_\_\_\_\_  
Special Instructions \_\_\_\_\_

If a correspondent bank is used to route the wire to the destination bank, complete the following:

Name of Bank \_\_\_\_\_  
Location of Bank \_\_\_\_\_  
ABA Routing No. \_\_\_\_\_



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON PURCHASE ENERGY	)	
CORPORATION FOR AUTHORIZATION TO REFINANCE	)	CASE NO.
FROM COBANK AND EXECUTE NECESSARY NOTES	)	2010-00229

O R D E R

On June 8, 2010, Jackson Purchase Energy Corporation ("JPEC") filed its application for authority to execute notes to CoBank, ACB ("CoBank") in the amounts of \$5,921,753 and \$3,353,647.<sup>1</sup> By letter dated June 14, 2010, the Commission notified JPEC that its refinancing application was rejected as deficient because it did not include the information necessary to satisfy the filing requirements contained in 807 KAR 5:001, Sections 6(4), 6(6) and 11(2)(b).

In response to the Commission's deficiency letter, on June 18, 2010, JPEC filed an amended application containing the information cited in the June 14, 2010 letter. The Commission accepted the information and considered the application filed as of June 18, 2010.

JPEC intends to use the proceeds from the CoBank loans to refinance and discharge part of its indebtedness to the Rural Utilities Service ("RUS"). Due to the lower interest rates offered by CoBank, JPEC projects lifetime cash flow savings over the lives of both loans. There are two proposed CoBank loans due to the differing maturities on the RUS debt. JPEC intends to match the principal payments on the CoBank loans with those that would have been paid on the RUS loans; thus, two loans

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<sup>1</sup> Application, page 2.

are required. JPEC has indicated that CoBank has not approved or issued a commitment for the proposed loans.<sup>2</sup>

As of May 31, 2010, JPEC's outstanding balance of RUS debt was \$40,858,054.<sup>3</sup> The outstanding balance of RUS debt is made up of debt with interest rates varying from 2.91 percent to 5.53 percent. JPEC also has outstanding long-term debt with CoBank in the amount of \$4,285,902 at interest rates varying from 3.87 percent (variable) to 4.78 percent.<sup>4</sup>

Of its total outstanding RUS debt, JPEC proposes to refinance \$5,921,753 and \$3,353,647, respectively, in two notes under the CoBank program. JPEC has fixed these amounts with CoBank through July 20, 2010; however, JPEC stated it must have all required documentation 10 days prior to that date in order to complete all legal requirements for procuring the loans.<sup>5</sup> JPEC proposes to execute one note in conjunction with the initial borrowing of \$5,921,753 from CoBank at a fixed interest rate equal to or less than 4.69 percent. The new CoBank loan would be amortized for a period of 16 years.<sup>6</sup> The average remaining life of the RUS notes selected for repayment is 16.35 years. JPEC provided a cash flow analysis based on the \$5.9 million loan amount which indicates it could save \$498,743 over the life of the loan.<sup>7</sup> The net present value of the cash flow savings was provided as part of the analysis

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<sup>2</sup> Exhibit 1, Page 2.

<sup>3</sup> Exhibit 6.

<sup>4</sup> Id.

<sup>5</sup> Per Informal Conference Call, June 23, 2010.

<sup>6</sup> Application, page 2.

<sup>7</sup> Exhibit 1, Page 3.



prepared by CoBank for JPEC. CoBank determined that the fixed interest rate would result in a positive net present value cash flow of \$329,613.<sup>8</sup>

JPEC proposes to execute a second note in conjunction with the borrowing of \$3,353,647 from CoBank contingent upon receiving a fixed interest rate of 4.9 percent or lower.<sup>9</sup> The new CoBank note would be amortized for a period of 19 years.<sup>10</sup> The average remaining life of the RUS notes selected for repayment is 18.52 years.<sup>11</sup> JPEC provided a cash flow analysis based on the \$3.3 million loan amount with a 4.9 percent interest rate which indicates it could save \$367,544 over the life of the loan.<sup>12</sup> CoBank determined that the fixed interest rate would result in a positive net present value cash flow of \$215,396.<sup>13</sup>

The Commission has reviewed the proposed refinancing and finds JPEC's proposal reasonable. JPEC has determined that it can refinance a portion of its RUS five percent fixed-rate debt at a lower effective interest rate and experience cash-flow savings over the period of the loans. The Commission commends JPEC for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its member-consumers.

The final amounts of the RUS payoff and the new CoBank loan will not be known until the refinancing transaction is finalized. Therefore, JPEC should provide the

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<sup>8</sup> Id.

<sup>9</sup> Application, Page 2.

<sup>10</sup> Id.

<sup>11</sup> Exhibit 3, Page 2.

<sup>12</sup> Id. at Tab 1, Page 1.

<sup>13</sup> Id.

Commission with the exact amount of the new CoBank loans within 10 days of finalizing the transactions. In addition, JPEC should provide an updated version of Exhibits 1 and 3 of its application reflecting the cash flow and the net present value analyses of the cash flow for the new CoBank loans.

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

1. The loans from CoBank are for lawful objects within the corporate purposes of JPEC, are necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, are reasonable, necessary, and appropriate for such purposes, and should be approved.

2. JPEC should execute its notes as security for the proposed loans in the manner described in its application.

3. Within 10 days of finalizing the refinancing transactions, JPEC should notify the Commission in writing of the exact amount of the new CoBank loans. JPEC should include with the notice an updated version of Exhibits 1 and 3 from its amended application reflecting the savings based on the actual amounts of the new CoBank loans.

4. Within 10 days of the execution of the new CoBank loan documents, JPEC should file with the Commission three copies of the loan documents for each of the loans.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in JPEC's application.

6. The terms and conditions of the new CoBank loans should be consistent with the CoBank refinancing program as described in JPEC's application.

IT IS THEREFORE ORDERED that:

1. JPEC is authorized to borrow up to \$5,921,753 on the first note and \$3,353,647 on the second note from CoBank but no more than the total RUS payoff for each loan. The loan maturity dates and interest rates shall be in accordance with the CoBank refinancing program as described in JPEC's application.

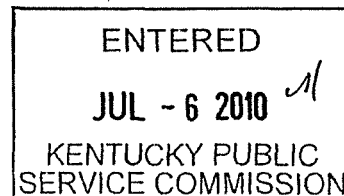
2. JPEC shall execute the CoBank loan documents as authorized herein.

3. JPEC shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

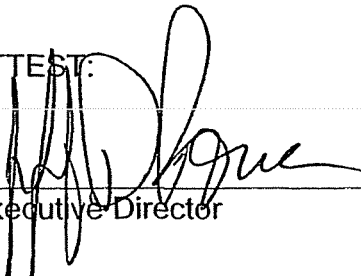
4. Any documents filed in the future pursuant to Findings 3 and 4 herein shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission

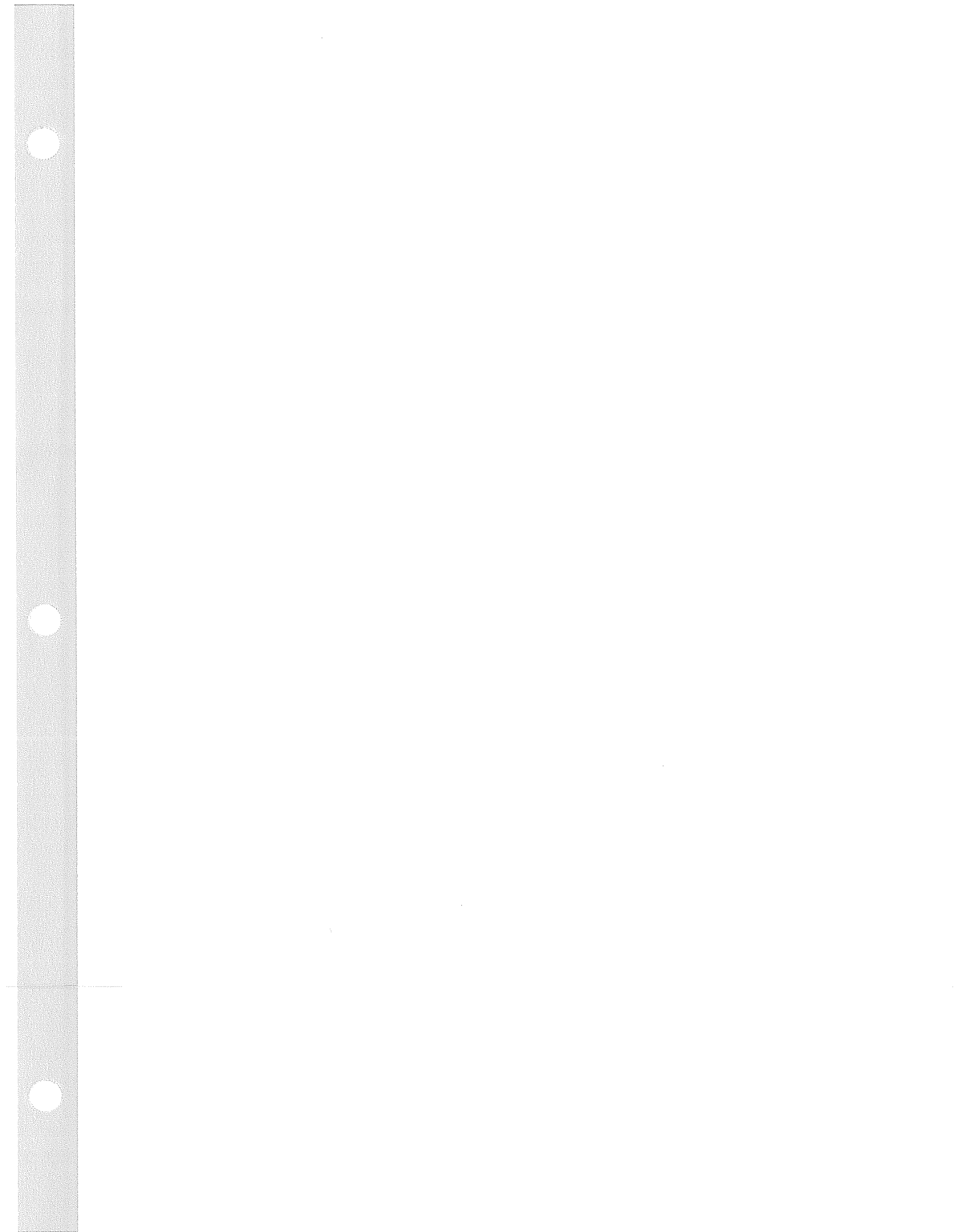


ATTEST:

  
\_\_\_\_\_  
Executive Director

**G. Kelly Nuckols**  
**President & CEO**  
**Jackson Purchase Energy Corporation**  
**2900 Irvin Cobb Drive**  
**P. O. Box 4030**  
**Paducah, KY 42002-4030**

**Melissa D Yates**  
**Attorney**  
**Denton & Keuler, LLP**  
**555 Jefferson Street**  
**P. O. Box 929**  
**Paducah, KY 42002-0929**



**CERTIFICATE OF INSURANCE**

07/06/2010

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON YOU THE CERTIFICATE HOLDER. THIS CERTIFICATE IS NOT AN INSURANCE POLICY AND DOES NOT AMEND, EXTEND, OR ALTER THE COVERAGE AFFORDED BY THE POLICIES LISTED BELOW. THIS CERTIFICATE IS NOT A CONTRACT BETWEEN THE INSURER AND THE CERTIFICATE HOLDER. ADDITIONAL INSURED DESIGNATIONS AND ANY WAIVER OF SUBROGATION RIGHTS MUST BE ENDORSED. STATEMENTS ON THIS CERTIFICATE DO NOT CONFER RIGHTS IN LIEU OF SUCH ENDORSEMENT(S).

THIS IS TO CERTIFY THAT: **Jackson Purchase Energy Corp.**  
**P.O. Box 4030**  
**Paducah, KY 42002-4030**



**FEDERATED RURAL ELECTRIC  
 INSURANCE EXCHANGE**

NAIC: 11118  
 P.O. Box 15147, Lenexa, KS 66285-5147  
 (913) 541-0150 fax (913) 541-9004  
 www.federatedrural.com

IS, AT THE ISSUE DATE OF THIS CERTIFICATE, INSURED BY THE COMPANY UNDER THE POLICY(IES) LISTED BELOW. THE INSURANCE AFFORDED BY THE LISTED POLICY(IES) IS SUBJECT TO ALL THEIR TERMS, EXCLUSIONS, AND CONDITIONS AND IS NOT ALTERED BY ANY REQUIREMENTS, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED.

TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATES	LIMITS (\$)		
<b>GENERAL LIABILITY</b> OCCURRENCE-BASIS COMPREHENSIVE FORM PREMISIS / OPERATIONS UND / EXPLOSION & COLLAPSE PRODUCTS / COMP OPS CONTRACTUAL BROAD-FORM PROPERTY DAMAGE NO GENERAL AGGREGATE	16 ARB 024-09	6/1/2009 to 6/1/2011	EACH OCCURRENCE	\$2,000,000	
			DAMAGE TO RENTED PREMISES	\$2,000,000	
			MED EXP (PER PERSON)	\$1,000	
			PERSONAL & ADV INJURY	\$2,000,000	
<b>AUTOMOBILE LIABILITY</b> ANY AUTO HIRED & NON-OWNED AUTO GARAGE LIABILITY (ANY AUTO)	16 ARB 024-09	6/1/2009 to 6/1/2011	COMBINED SINGLE LIMIT (EACH ACCIDENT)	\$2,000,000	
<b>UMBRELLA LIABILITY</b> OCCURRENCE-BASIS \$10,000 SELF-INSURED RETENTION	16 UMB 024-09	6/1/2009 to 6/1/2011	EACH OCCURRENCE	\$9,000,000	
			PRODUCTS / COMP OP AGG	\$9,000,000	
<b>WORKERS' COMPENSATION AND                      EMPLOYERS' LIABILITY</b>	16 WC 024-10	1/1/2010 to 1/1/2011	WC LIMITS	STATUTORY	
			E.L. EACH ACCIDENT	\$500,000	
			E.L. EACH EMPLOYEE	\$500,000	
			E.L. DISEASE EACH EMPLOYEE	\$500,000	
<b>ALL RISK PROPERTY INCLUDING                      PHYSICAL DAMAGE TO VEHICLES</b>	16 ARB 024-09	6/1/2009 to 6/1/2011	DEDUCTIBLES		
			PROPERTY	\$500	PROPERTY LIMIT: \$24,195,894
			COMP	\$1,000	
			COLLISION	\$500	

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EQUIPMENT / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS**  
 See Attached Misc. End.

**CERTIFICATE HOLDER:**  
 CoBank, ACB  
 5500 South Quebec Street  
 Greenwood Village, CO 80111

**CANCELLATION:**  
 SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE, THE ISSUING COMPANY WILL MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER.

**AUTHORIZED REPRESENTATIVE:**  




**FEDERATED RURAL ELECTRIC  
INSURANCE EXCHANGE**

*This endorsement changes the  
policy. Please read it carefully.*

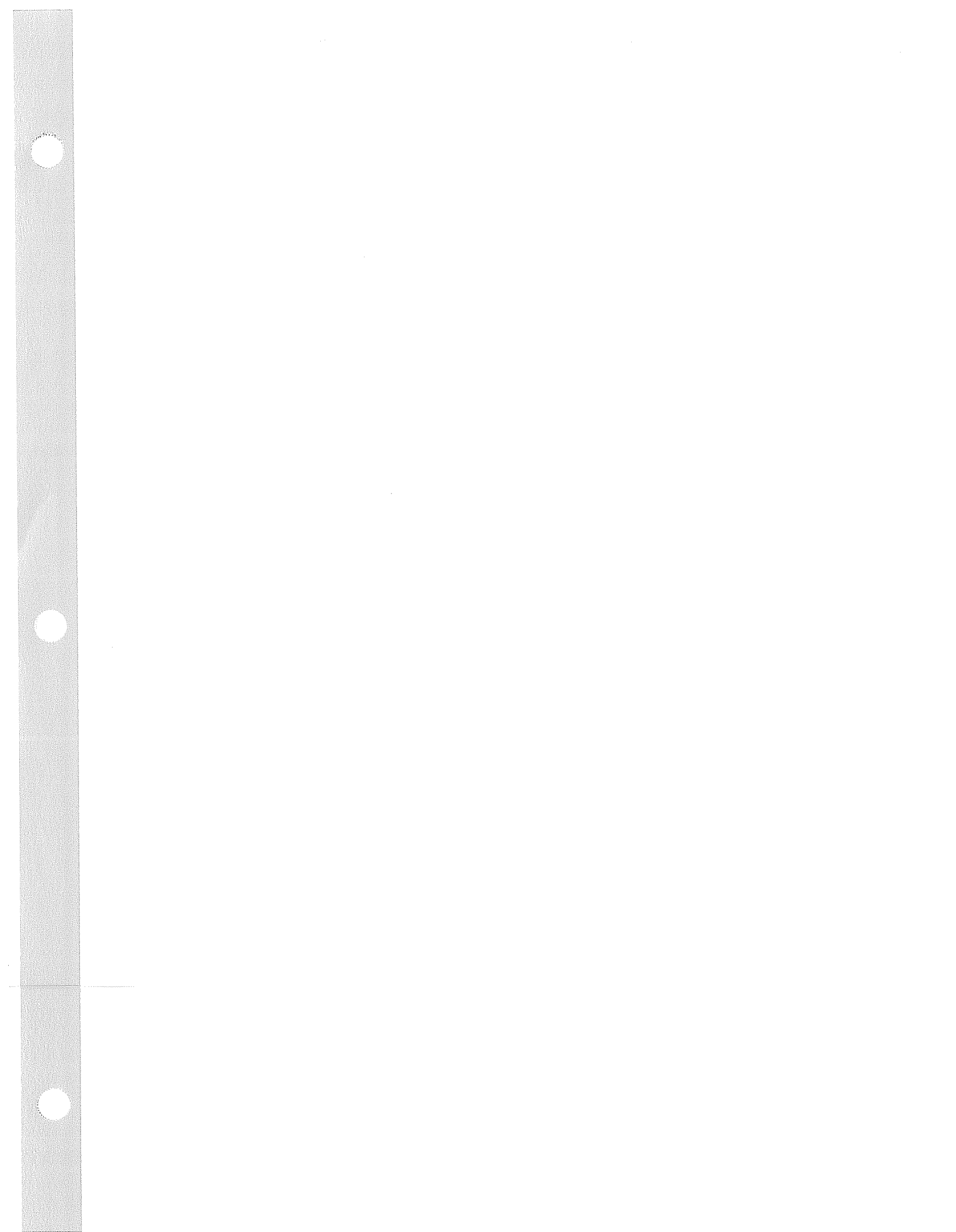
### **Miscellaneous Endorsement**

Effective 7/6/2010 12:01 a.m. standard time, this endorsement forms a part of Policy No. 16 ARB 024-09 issued by Federated Rural Electric Insurance Exchange to Jackson Purchase Energy Corp.

In consideration of the premium charged, Federated and the Insured agree, subject to all provisions of the policy except as modified herein, as follows:

It is agreed that CoBank, ACB is named as an additional insured only with respect to liability caused in whole or in part by the ongoing operations performed by or on behalf of the policyholder.

It is agreed that CoBank, ACB is added as a mortgagee/loss payee as their interest may appear in the insured's use of leased equipment and/or vehicles.





W. DAVID DENTON  
THOMAS J. KEULER  
WILLIAM E. PINKSTON  
LISA H. EMMONS  
DAVID L. KELLY  
THEODORE S. HUTCHINS\*  
GLENN D. DENTON\*  
STACEY A. BLANKENSHIP  
MELISSA D. YATES\*  
NEAL D. OLIPHANT  
DOUGLAS R. MOORE  
ROBERT W. GOFF\*\*\*  
SAMUEL J. WRIGHT\*\*  
JACKIE M. MATHENY JR.

\* Also Licensed To Practice in Illinois  
\*\* Also Licensed To Practice in Illinois & Missouri  
\*\*\* Also Licensed To Practice in Tennessee



ATTORNEYS AT LAW  
*A Limited Liability Partnership*

PADUCAH BANK BUILDING SUITE 301  
555 JEFFERSON STREET  
P.O. BOX 929  
PADUCAH, KENTUCKY 42002-0929

Direct e-mail: [lemmons@dklaw.com](mailto:lemmons@dklaw.com)

TELEPHONE  
(270) 443-8253

FACSIMILE  
(270) 442-6000

REAL ESTATE FACSIMILE  
(270) 442-6034

WEB SITE: [www.dklaw.com](http://www.dklaw.com)

126694ver3clean

July 19, 2010

CoBANK, ACB  
Attn: Communications and Energy Banking Group  
5500 S. Quebec Street  
Greenwood Village, CO 80111

Re: \$9,265,992.16 Credit Facilities from CoBank, ACB ("CoBank") to JACKSON PURCHASE ENERGY CORPORATION (the "Borrower")

Ladies and Gentlemen:

## **I. Introduction**

We have served as general counsel for the Borrower, a Kentucky non-profit electrical cooperative corporation organized and existing pursuant to KRS Chapter 279 and engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Ballard, Carlisle, Graves, Livingston, Marshall and McCracken, in connection with the documentation of the loan(s) described above. In connection with the loan(s), the Borrower has executed and delivered the following documents, each dated as of July 14, 2010 (collectively, the "Current Loan Documents"):

- (A) Promissory Note and Supplement No. RX0731T7;
- (B) Promissory Note and Supplement No. RX0731T8 (this Promissory Note and Supplement, together with the Promissory Note and Supplement shown in (A) above, the "New CoBank Notes"); and
- (C) Supplemental Mortgage and Security Agreement (the "Supplemental Mortgage");

## **II. Scope of Opinion/Examination of Documents**

We are delivering this opinion to you pursuant to requirements set forth in the

Amended and Restated Master Loan Agreement between the Borrower and CoBank dated as of June 19, 2003, as amended (the "MLA")

For purposes of this opinion, we have examined the following:

- A. Originals or copies identified to our satisfaction of each of the Current Loan Documents as executed and delivered and the MLA;
- B. The Articles of Incorporation and Bylaws of the Borrower, in each case as amended and in effect at the time of the authorization of, and the execution and delivery by the Borrower of, the Loan Documents;
- C. Certified resolutions of the Board of Directors of the Borrower evidencing the corporate proceedings taken to authorize the execution and delivery of, and the performance by the Borrower of its obligations under, the Loan Documents;
- D. Written information provided by governmental authorities of the Commonwealth of Kentucky as to the incorporation and existence of the Borrower in the Commonwealth of Kentucky;
- E. A certificate of the Borrower, dated as of even date herewith and a copy of which is available upon request (the "Loans & Other Material Agreements Certificate"), certifying that the documents identified in the Loans & Other Material Agreements Certificate are: (i) all of the loan agreements and related instruments and security documents to which the Borrower is a party (and all amendments thereto); and (ii) all other agreements (and all amendments thereto) under which a default by the Borrower could have a material adverse effect on the business, operations or financial condition of the Borrower or the Borrower's ability to perform its obligations under the Loan Documents;
- F. Originals, or copies identified to our satisfaction, of the agreements and instruments identified in the Loans & Other Material Agreements Certificate;
- G. A certificate of the Borrower, dated as of even date herewith and a copy of which is available upon request (the "Litigation Certificate"), certifying that there is no litigation, arbitration or other legal proceeding, pending or threatened, verbally or in writing, against or affecting the Borrower or its property that, (i) if adversely determined, in the opinion of the Borrower, would have a material adverse effect upon the business, operations or financial condition of the Borrower, or the Borrower's ability to perform its obligations under the Loan Documents or (ii) seeks to rescind, terminate, modify or suspend any authorization of any governmental entity required in connection with the execution and delivery of the Borrower of, and the performance of the Borrower of its obligations under, the Loan Documents [, other

than [that/those] which [is/are] identified in the Litigation Certificate, a copy of which has previously been provided to you;

- H. Restated Mortgage and Security Agreement dated as of February 1, 2007, among the Borrower, the United States of America (“Government”), the National Rural Utilities Cooperative Finance Corporation (“CFC”), and CoBank (the “Mortgage”, and, together with the Current Loan Documents and the MLA, the “Loan Documents”);
- I. The UCC Financing Statements, naming the Borrower as Debtor and the Government CFC, and CoBank as Secured Parties, filed in [insert name of filing office(s)], (the “Filing Office(s)”) and listed on Exhibit A hereto (the “Financing Statements”); and
- J. Such other certificates, documents and papers as we have deemed advisable in connection with this opinion.

During the course of such examination, we have assumed that all signatures, other than those of officers of the Borrower, are genuine, that all documents submitted to us as copies conform to the originals and that all documents submitted to us as originals are authentic.

As to matters of fact involved in this opinion, we have relied on statements of fact made in the Loan Documents, the Loan & Other Material Agreements Certificate and the Litigation Certificate, and on certificates, affidavits and statements of fact of officials, officers or authorized representatives of the particular governmental authority or other person or entity concerned, including the Borrower, and on discussions with representatives of the Borrower, without any independent investigation or inquiry. We are not aware of any fact that would make any such reliance unreasonable. We have undertaken such investigation of the law and such consideration of the facts (which we have ascertained as described herein) as we, in our professional judgment, have determined appropriate for purposes of rendering this opinion.

For purposes of this opinion, we have further assumed that each party to the Loan Documents, other than the Borrower, has all requisite power and authority to enter into such agreements, has taken all necessary action to execute and deliver such agreements and can effect the transactions contemplated therein without contravening any law or regulation; that each of the Loan Documents constitutes the legal, valid and binding obligation of each of such other parties enforceable against such other parties in accordance with its respective terms; and that each of such other parties will duly perform its obligations under each such agreement.

### **III. Opinions & Qualifications**

Based on the foregoing, we are of the opinion, subject to the qualifications set forth in this letter, that:

- A. The Borrower is a Kentucky non-profit electrical cooperative corporation duly

organized, validly existing, and in good standing under the laws of the Commonwealth of Kentucky

- B. The Borrower has all requisite corporate and legal power and authority to own and operate its assets and to carry on its business as it is now being conducted and to enter into and perform its obligations under the Loan Documents.
- C. All corporate proceedings of the Borrower necessary to be taken in connection with the authorization, execution and delivery by the Borrower of, and the performance by the Borrower of its obligations under, the Loan Documents have been duly taken and all such authorizations are presently in effect.
- D. To the extent reasonably required for the maintenance and operation of its properties and business taken as a whole, the Borrower has complied with all requirements of the laws of all states in which it operates and does business, and, to the extent reasonably required to enable the Borrower to engage in the business currently transacted by it, the Borrower holds all certificates, licenses, consents or approvals of governmental entities required to be obtained on or prior to the date of this opinion.
- E. Each Loan Document has been duly executed and delivered by the Borrower and constitutes the valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

The opinion set forth in this paragraph is subject to the following qualifications:

- a. The enforceability of the Loan Documents may be limited by (i) bankruptcy, insolvency, reorganization, receivership, fraudulent conveyance and other laws of general applicability relating to or affecting the rights and remedies of creditors and (ii) general principles of equity.
- b. Certain provisions of the Loan Documents may not be enforceable under laws with respect to or affecting the remedies provided for in the Loan Documents; nevertheless, such unenforceability will not render any Loan Document invalid as a whole or preclude (i) the judicial enforcement of the obligation of the Borrower to repay the principal, together with interest thereon, as provided in the New CoBank Notes, (ii) the acceleration of the obligation of the Borrower to repay such principal and interest upon a material default by the Borrower under the Loan Documents, and (iii) the judicial foreclosure in accordance with Kentucky law of the lien created by the Mortgage upon the failure to pay such principal and interest at maturity or upon acceleration pursuant to clause (ii) above.

- F. The Mortgage creates a validly recorded, filed and perfected first priority mortgage

lien shared pari passu and pro rata by the Government, CFC, and CoBank (the "Mortgagees") on all of Borrower's real property (excluding real property acquired after the date of delivery of the Mortgage) as security for the Borrower's obligations under the "Notes" and "Loan Agreements" (both as defined in the Mortgage), excluding the New CoBank Notes, subject and subordinate only to those liens and encumbrances expressly permitted by the Mortgage. The Supplemental Mortgage is sufficient in form and content to grant to: (A) the Mortgagees, as security for the Notes and Loan Agreements, a first priority lien on all real property acquired by the Borrower after the date of delivery of the Mortgage and up to and including the recording of the Supplemental Mortgage, excluding real property acquired after the date of delivery of the Supplemental Mortgage; and (B) CoBank, as security for the Borrower's obligations under the Current Loan Documents (the "Current CoBank Obligations"), a shared first priority lien on all of Borrower's real property (including, without limitation, all real property acquired after the date of delivery of the Mortgage and up to and including the recording of the Supplemental Mortgage, excluding real property acquired after the date of delivery of the Supplemental Mortgage). Upon recording the Supplemental Mortgage in each of the following places, the Mortgage, as supplemented by the Supplemental Mortgage, will accord the Mortgagees a validly recorded, filed and perfected shared first priority lien on all real property of the Borrower as security for all Notes and Loan Agreements, including, without limitation, the Current CoBank Obligations: McCracken, Ballard, Carlisle, Graves, Livingston, and Marshall. Except as provided in the preceding sentence, no other recordation, filing, re-recording or re-filing is necessary in order for CoBank to maintain the validity or priority of the lien on such real property (excluding after acquired real property). In order for the Mortgage to constitute a valid lien on after acquired real property a supplemental mortgage describing such real property must be recorded.

The opinion set forth in this paragraph III. F. is subject to the qualification that no opinion is expressed with respect to (i) the title to or the rights or interests of the Borrower in any real or personal property, or (ii) the adequacy of the description of any real property.

- G. The Mortgage, as supplemented by the Supplemental Mortgage, creates in favor of the Mortgagees as security for all Notes and Loan Agreements (including, without limitation, the Current CoBank Obligations) a valid security interest in the Borrower's interest in the fixtures identified therein located in the Commonwealth of Kentucky and in the personal property identified therein in which a security interest may be validly created under Article 9 of the Uniform Commercial Code as in effect in the Commonwealth of Kentucky (the "Kentucky UCC"). By virtue of the fact that the Financing Statement has been filed in the Filing Office, such security interest has been validly perfected in such fixtures and personal property in which a security interest may be perfected by filing a financing statement under Article 9 of the

Kentucky UCC. No additional filings, recordings or similar actions are necessary under the laws of the Commonwealth of Kentucky in order: (1) for the Mortgage, as supplemented by the Supplemental Mortgage, to constitute a duly perfected lien on such fixtures or personal property as security for the Current Obligations; or (2) in order to establish, perfect, or continue perfection of such security interest.

The opinion in this paragraph III. G. is subject to the following qualifications: (i) no opinion is expressed with respect to the Borrower's title to or rights or interests in any personal property; and (ii) with respect to the validity and the perfection of the security interest in personal property created under the Mortgage, this opinion does not address personal property of a type in which a security interest cannot be validly created under Article 9 of the Kentucky UCC, or in which a security interest can be validly created but cannot be perfected under Article 9 of the Kentucky UCC by filing of a financing statement.

- H. To the best of our knowledge (without having conducted a recent lien search), there are no liens or security interests on any property of the Borrower other than liens and security interests permitted by the Mortgage.
- I. The execution and delivery by the Borrower of, and the performance by the Borrower of its obligations under, the Loan Documents do not and will not: (a) violate the Borrower's Articles of Incorporation or Bylaws; (b) violate any applicable law, rule or regulation to which the Borrower is subject; (c) conflict with, result in a breach of, or constitute with notice or lapse of time or both a default under, any agreement or instrument identified to us in the Loan & Other Material Agreements Certificate; or (d) violate any judicial or administrative decree, writ, judgment or order to which, to our knowledge, the Borrower is subject.
- J. All authorizations from governmental entities required in connection with the execution and delivery by the Borrower of, and the performance by the Borrower of its obligations under, the Loan Documents have been obtained and are in full force and effect.
- K. To our knowledge, there is no litigation, arbitration or other legal proceeding pending or threatened, verbally or in writing, against or affecting the Borrower or its property that, (i) in the opinion of the Borrower as evidenced by the Litigation Certificate, if adversely determined would have a material adverse effect upon the business, operations or financial condition of the Borrower or the Borrower's ability to perform its obligations under the Loan Documents or (ii) seeks to rescind, terminate, modify or suspend any authorization of any governmental entity referred to in paragraph III. J. above, except as provided in **Exhibit A**.

IV. Limitation as to Particular Laws and Reliance on this Opinion

As to matters of law, we limit our opinion to the laws of the Commonwealth of Kentucky and the laws of the United States of America, and our opinions are limited to the facts and laws in existence on the date of this opinion and at no subsequent time. We note that certain of the Loan Documents purport to be governed by Colorado law. For purposes of giving the opinions set forth above, we have assumed that Colorado law is the same as the law of the Commonwealth of Kentucky.

This opinion is delivered to you in connection with the loan referenced above, and may not be utilized or quoted by you for any other purpose or relied upon by any other person or entity other than your successors or assigns without our express written consent.

Very truly yours,



## EXHIBIT A

Jackson Purchase Energy Corporation (“JPEC”) has an unasserted claim by the minor daughter of Andrew Reichwein, deceased. Mr. Reichwein was a contract employee who was fatally injured while working on JPEC’s system after the unprecedented ice storm of late January 2009. Mr. Reichwein was part of a crew which consisted of three Connexus employees. Also present were Jimmy Johnson and Jack Waldrige, JPEC employees. The crew’s objective was to repair primary and secondary conductors located near 2040 Clarkline Road, in Paducah, Kentucky. During this process, the transformer on the utility pole fell to the ground on top of Mr. Reichwein causing him fatal injuries.

Mr. Reichwein’s estate and his widow have not asserted any claim against JPEC and their right to do so has expired under the applicable Kentucky statute of limitations, however, Mr. Reichwein’s minor daughter may also have a claim which will not expire until one (1) year after she attains the age of majority. We do not have her exact birth date, but you should note that she was approximately 4 years old at the time Mr. Reichwein died. In the event suit is filed, JPEC intends to vigorously defend against any such claim.



## LITIGATION CERTIFICATE

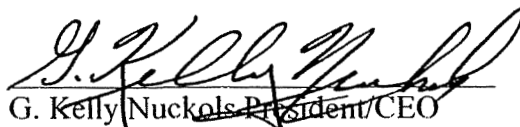
This Certificate is given by G. Kelly Nuckols President/CEO of JACKSON PURCHASE ENERGY CORPORATION (the "Borrower") for the purpose of inducing DENTON & KEULER, LP, to render legal opinions in connection with the execution and delivery of the following loan documents:

- (A) Promissory Note and Supplement No. RX0731T7;
- (B) Promissory Note and Supplement No. RX0731T8 this Promissory Note and Supplement, together with the Promissory Note and Supplement shown in (A) above, the "New CoBank Notes"); and
- (C) Supplemental Mortgage and Security Agreement (the "Supplemental Mortgage") (the "Loan Documents").

I, G. Kelly Nuckols President/CEO of the Borrower, do hereby certify as of the date of this Certificate as follows:

1. I am the President/CEO of the Borrower, and as such possess the knowledge and authority to certify to the matters set forth in this Certificate.
2. I have discussed the subject matter of this Certificate with all officers of and legal counsel to the Borrower who reasonably would be expected to have knowledge of its subject matter.
3. **Other than the proceeding(s) identified in Exhibit A**, there is no litigation, arbitration or other legal proceeding, pending or threatened, verbally or in writing, against or affecting the Borrower or its property that. (i) if adversely determined, in my opinion would have a material adverse effect upon the business, operations or financial condition of the Borrower or the Borrower's ability to perform its obligations under the Loan Documents, or (ii) seeks to rescind, terminate, modify or suspend any authorization of any governmental entity required in connection with the execution and delivery by the Borrower of, and the performance by the Borrower of its obligations under, the Loan Documents.

IN WITNESS WHEREOF, I have executed this Certificate in my capacity as President/CEO of the Borrower as of July 14, 2010.

A handwritten signature in black ink, appearing to read "G. Kelly Nuckols", written over a horizontal line.

G. Kelly Nuckols President/CEO  
JACKSON PURCHASE ENERGY  
CORPORATION

**EXHIBIT A**  
**to**  
**Litigation Certificate**

Jackson Purchase Energy Corporation (“JPEC”) has an unasserted claim by the minor daughter of Andrew Reichwein, deceased. Mr. Reichwein was a contract employee who was fatally injured while working on JPEC’s system after the unprecedented ice storm of late January 2009. Mr. Reichwein was part of a crew which consisted of three Connexus employees. Also present were Jimmy Johnson and Jack Waldridge, JPEC employees. The crew’s objective was to repair primary and secondary conductors located near 2040 Clarkline Road, in Paducah, Kentucky. During this process, the transformer on the utility pole fell to the ground on top of Mr. Reichwein causing him fatal injuries.

Mr. Reichwein’s estate and his widow have not asserted any claim against JPEC and their right to do so has expired under the applicable Kentucky statute of limitations, however, Mr. Reichwein’s minor daughter may also have a claim which will not expire until one (1) year after she attains the age of majority. We do not have her exact birth date, but you should note that she was approximately 4 years old at the time Mr. Reichwein died. In the event suit is filed, JPEC intends to vigorously defend against any such claim.

## LOAN & OTHER MATERIAL AGREEMENTS CERTIFICATE

This Certificate is given by G. Kelly Nuckols President/CEO of JACKSON PURCHASE ENERGY CORPORATION (the "Borrower") for the purpose of inducing DENTON & KEULER, LP, to render legal opinions in connection with the execution and delivery of the following loan documents:

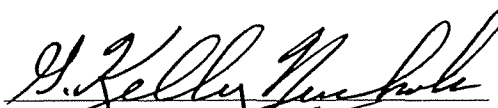
- (A) Promissory Note and Supplement No. RX0731T7;
- (B) Promissory Note and Supplement No. RX0731T8 this Promissory Note and Supplement, together with the Promissory Note and Supplement shown in (A) above, the "New CoBank Notes"); and
- (C) Supplemental Mortgage and Security Agreement (the "Supplemental Mortgage") (the "Loan Documents").

I, G. Kelly Nuckols President/CEO of the Borrower, do hereby certify as of the date of this Certificate as follows:

1. I am the President/CEO of the Borrower, and as such possess the knowledge and authority to certify to the matters set forth in this Certificate.

2. Attached hereto as Exhibit A-1 is a list of all loan agreements related instruments and security documents to which the Borrower is a party (and all amendments thereto) and as Exhibit A-2 is a list of and all other agreements (and all amendments thereto) under which a default by the Borrower could have a material adverse effect on the business, operations or financial condition of the Borrower or the Borrower's ability to perform its obligations under the Loan Documents.

**IN WITNESS WHEREOF**, I have executed this Certificate in my capacity as President/CEO of the Borrower as of July 14, 2010.

  
G. Kelly Nuckols President/CEO  
JACKSON PURCHASE ENERGY  
CORPORATION

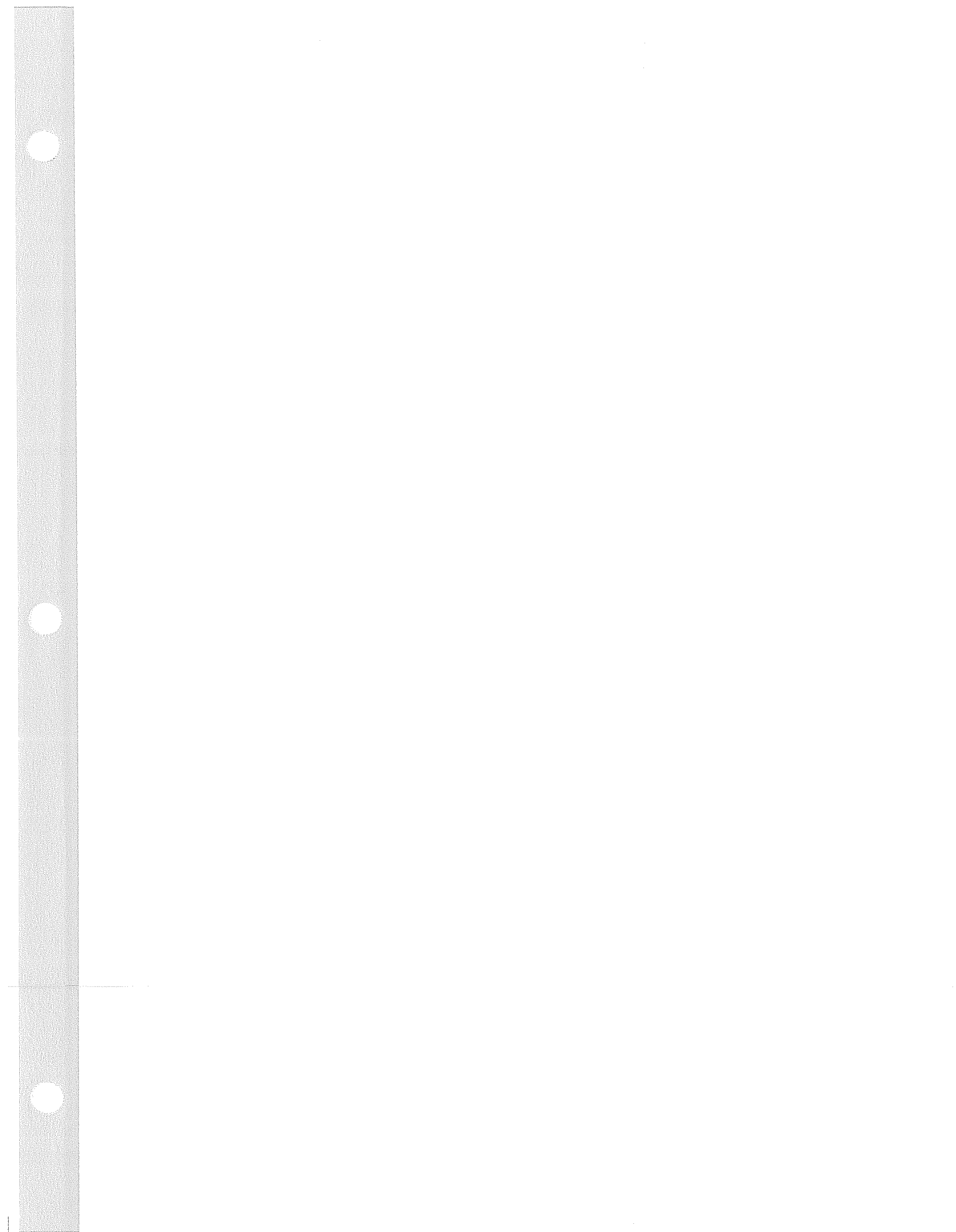
# Exhibit A-1 Attachment

## LONG-TERM DEBT SCHEDULE JACKSON PURCHASE ENERGY CORPORATION 5/31/2010

Note Description	Interest Rate	Date of Draw	Final Maturity Date	Original Balance	Current Balance
<b>RUS/Treasury Notes:</b>					
1B260	5.00%	8/25/1982	8/25/17	927,500	340,784
1B262	5.00%	8/25/1982	8/25/17	927,500	340,785
1B270/1B273	5.00%	9/20/1984	9/20/19	3,184,000	1,463,759
1B280	5.00%	6/22/1988	10/26/23	1,483,000	887,322
1B281/1B283	5.00%	6/22/1988	10/26/23	1,484,000	912,845
1B290/1B292	5.00%	8/20/1991	12/26/26	2,892,000	2,001,757
1B300/1B305	5.00%	9/3/1993	2/24/29	4,483,000	3,353,647
1B310/1B311	5.00%	1/25/1996	5/8/31	4,900,000	3,924,621
1B320	5.00%	2/4/2000	11/1/34	6,726,000	5,859,022
1B330	5.53%	7/24/2001	5/1/36	4,500,000	4,084,353
1B331	2.91%	6/3/2003	5/1/36	332,000	284,327
1B332	2.91%	6/3/2003	5/1/36	3,000,000	2,575,466
IA340	4.55%	8/11/2008	2/1/41	2,833,000	2,778,352
IA350	4.55%	8/11/2008	11/1/41	2,167,000	2,148,976
1A351	3.68%	2/20/2009	11/1/41	10,000,000	9,902,038
<b>FFB Notes:</b>					
H0010 (FFB)	2.071%	6/3/2003	12/3/35	2,668,000	2,113,877
H0015 (FFB)	4.422%	6/17/2004	12/3/35	2,250,000	1,839,286
H0020 (FFB)	5.283%	6/17/2004	12/31/35	2,250,000	1,839,286
H0025 (FFB)	4.534%	9/29/2005	12/31/35	5,500,000	4,681,818
H0030 (FFB)	4.913%	3/7/2006	12/31/35	5,922,000	5,125,764
<b>CoBank Notes:</b>					
ML0731T2	3.87% (Variable)	02/24/94	2/20/29	\$1,921,000	1,504,320
ML0731T3	3.87% (Variable)	08/27/91	6/20/26	1,240,000	1,013,971
ML0731T5	3.87% (Variable)	06/15/88	6/15/23	1,271,000	949,834
ML0731T6	4.78%	09/02/03	11/20/13	4,158,599	817,777
<b>CFC Notes:</b>					
9001 (CFC)	5.375% (Effective)	08/31/84	9/1/2019	1,364,160	661,258
<b>Sub-total</b>				78,383,759	61,405,245
<b>Cushion of Credit:</b>				n/a	(5,253,379)
<b>Net Long Term Debt</b>				78,383,759	56,151,866

**EXHIBIT A-2**  
**to**  
**Loan & Other Material Agreements Certificate**  
**(Other Material Agreements)**

1. Wholesale Power Contract dated October 14, 1977 between Big Rivers Electric Corporation and Jackson Purchase Energy Corporation, as amended.



## NOTICE TO BORROWER

THE FOLLOWING DISCLOSURE RELATES TO THE AT RISK NATURE OF THE EQUITY INVESTMENT REQUIRED AS A CONDITION TO AN EXTENSION OF CREDIT. PLEASE READ THESE MATERIALS CLOSELY WHEN EVALUATING THE PROPOSED CREDIT TERMS.

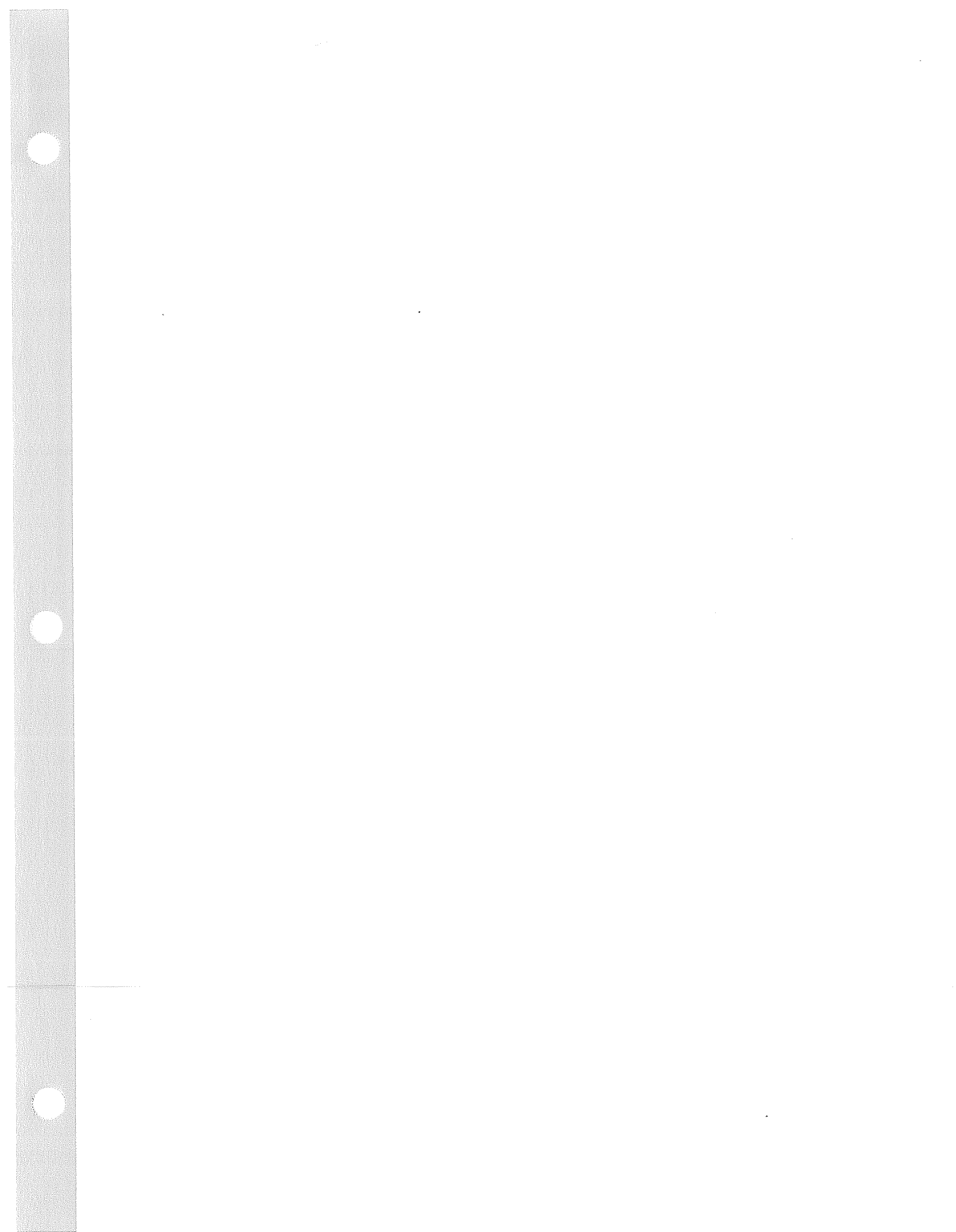
You have received, or the bank has made available to you, the bank's most recent annual report, the most recent quarterly report, a copy of the Bylaws, and a copy of the current Capital Plan.

As a condition to the extension of credit, borrowers are required to own equity in the bank. Equity ownership requirements are established by the board of directors from time to time as set forth in the Capital Plan. Currently the Capital Plan requires each active stockholder to own a minimum investment of the bank's capital of \$1,000 or 2 percent of the loan, whichever is less. After this minimum level is achieved, all future capitalization requirements will be made through retained patronage earnings and no additional out-of-pocket equity purchases beyond the initial investment will be required. Equity of owners whose current investment is above target level will be available for retirement until the target equity level is reached. The Capital Plan may be amended from time to time by the board of directors. Such amendments may increase the amount of capital required to be invested to maintain a loan.

Equity will be retired and patronage distributions will be made in accordance with the Bylaws and Capital Plan, as may be amended from time to time.

**ALL EQUITY IN THE BANK: (1) IS RETIREABLE ONLY AT THE DISCRETION OF THE BOARD OF DIRECTORS AND THEN ONLY IF MINIMUM CAPITAL STANDARDS ESTABLISHED BY LAW ARE MET; AND (2) IS AN INVESTMENT IN THE BANK THAT IS AT RISK AND SHOULD NOT BE CONSIDERED EQUIVALENT TO A COMPENSATING BALANCE. AT PRESENT, THE BANK MEETS ITS MINIMUM CAPITAL STANDARDS AND KNOWS OF NO REASON WHY IT SHOULDN'T CONTINUE TO MEET THOSE STANDARDS ON THE BANK'S NEXT EARNINGS DISTRIBUTION DATE.**

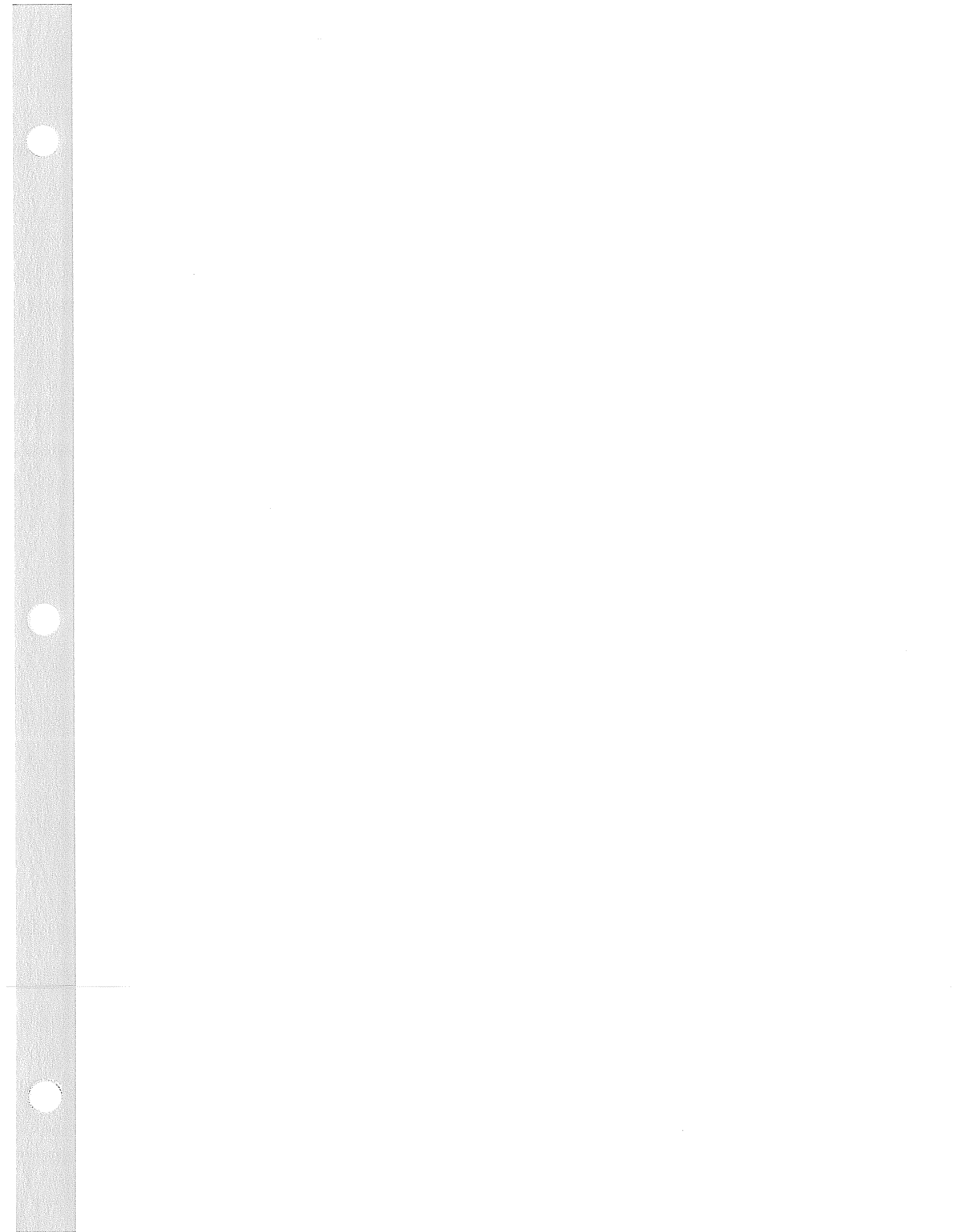




**LOAN ORIGINATION FEE**

**(Waived By CoBank)**

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CHECK NO.171601

DATE REFERENCE NO.  
7/15/10 498112 PROFESSIONAL FEES

AMOUNT  
5,784.90

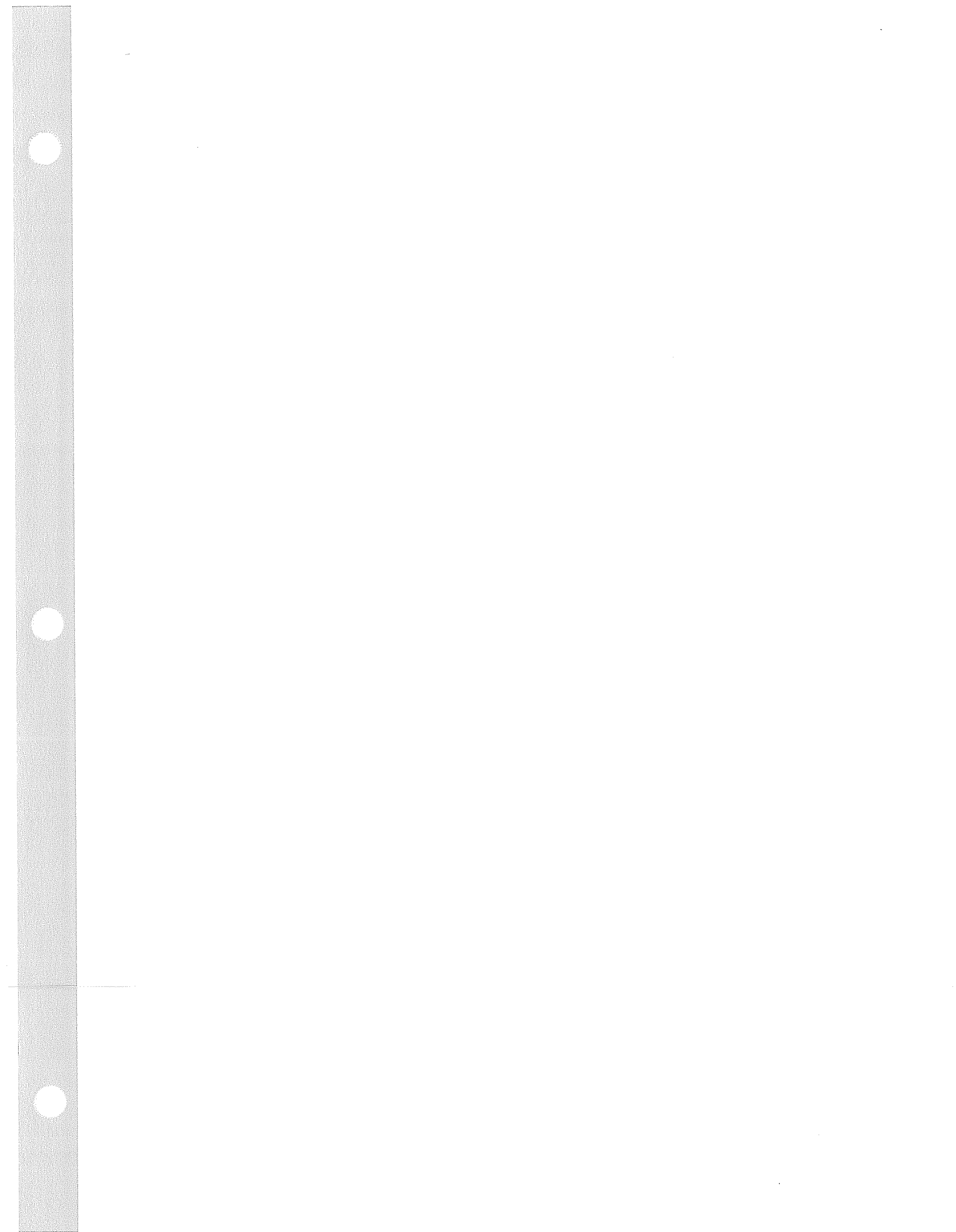
TOTAL 5,784.90

CHECK NO. 171601

DATE NET AMOUNT  
7/23/10 \$5,784.90

PAY EXACTLY \$\*\*\*\*\*5,784 DOLLARS AND \*\*90 CENTS

SHERMAN & HOWARD LLC  
ATTORNEYS & COUNSELORS AT LAW  
633 SEVENTEENTH ST SUITE 3000  
DENVER, COLORADO  
80202-0000





May 28, 2010

600 North Peachtree St., 1400  
Atlanta, GA 30309  
Phone: 770-618-2700  
Fax: 770-618-3202  
www.cobank.com

Charles Williamson III  
Vice President of Finance & Accounting  
Jackson Purchase Energy Corp.  
P.O. Box 4030  
Paducah, KY 42002

Dear Chuck,

The purpose of this letter is to confirm the agreement between CoBank, ACB ("CoBank") and Jackson Purchase Energy Corp. (the "Company") regarding the forward setting of a fixed rate with respect to a \$5,921,753 term loan to refinance the Rural Utilities Service. The terms of our agreement are as follows:

1. Amount to be fixed: \$5,921,753
2. Fixed Rate: 4.69% per annum.
3. Date fixed rate first becomes available: May 28, 2010
4. Date forward fixed rate ceases to be available: July 20, 2010
5. Date fixed rate period ends: October 20, 2026
6. Amount to be fixed does amortize over the fixed rate period per the attached principal amortization schedule (Exhibit A).
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: *Charles Williamson III*  
Title: Vice President

AGREED AND ACCEPTED as of the date shown above:

JACKSON PURCHASE ENERGY CORP.  
By: *Deborah L. Kelly*  
Title: PRESIDENT & CEO

**Jackson Purchase Energy**  
**Loan Balances as of 6/30/2010**

<b>Note ID</b>	<b>Principal Balance</b>	<b>Final Payment Date</b>	<b>Years Remaining</b>	<b>Weighted Average Life</b>
1B260	340,786.44	05/31/2017	6.92	3.94
1B262	340,787.65	05/31/2017	6.92	3.94
1B270	715,845.63	07/31/2019	9.09	4.84
1B273	737,264.11	07/31/2019	9.09	4.87
1B280	883,302.27	08/31/2023	13.18	7.27
1B281	306.05	08/31/2023	13.18	7.30
1B283	908,427.04	08/31/2023	13.18	7.30
1B290	997,516.84	10/31/2026	16.35	9.24
1B292	997,516.84	10/31/2026	16.35	9.24
<b>Totals</b>	<b>5,921,752.87</b>		<b>16.35</b>	<b>6.92</b>

**Jackson Purchase Energy**  
**Loan Balances as of 6/30/2010**

<b>Note ID</b>	<b>Principal Balance</b>	<b>Final Payment Date</b>	<b>Years Remaining</b>	<b>Weighted Average Life</b>
1B300	1,672,127.52	12/31/2028	18.52	10.63
1B305	1,672,127.52	12/31/2028	18.52	10.63
<b>Totals</b>	<b>3,344,255.04</b>		<b>18.52</b>	<b>10.63</b>





June 24, 2010

3000 Capital Parkway, Ste. 1450  
Atlanta, GA 30339  
Phone: 770 618 3206  
Fax: 770 618 3207  
www.cobank.com

Charles Williamson III  
Vice President of Finance & Accounting  
Jackson Purchase Energy Corp.  
P.O. Box 4030  
Paducah, KY 42002

Dear Chuck,

The purpose of this letter is to confirm the agreement between CoBank, ACB ("CoBank") and Jackson Purchase Energy Corp. (the "Company") regarding the forward setting of a fixed rate with respect to a \$3,344,255 term loan to refinance the Rural Utilities Service. The terms of our agreement are as follows:

1. Amount to be fixed: \$3,344,255
2. Fixed Rate: 4.90% per annum.
3. Date fixed rate first becomes available: June 24, 2010
4. Date forward fixed rate ceases to be available: July 20, 2010
5. Date fixed rate period ends: December 20, 2028
6. Amount to be fixed does amortize over the fixed rate period per the attached principal amortization schedule (Exhibit A).
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 ), 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.

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

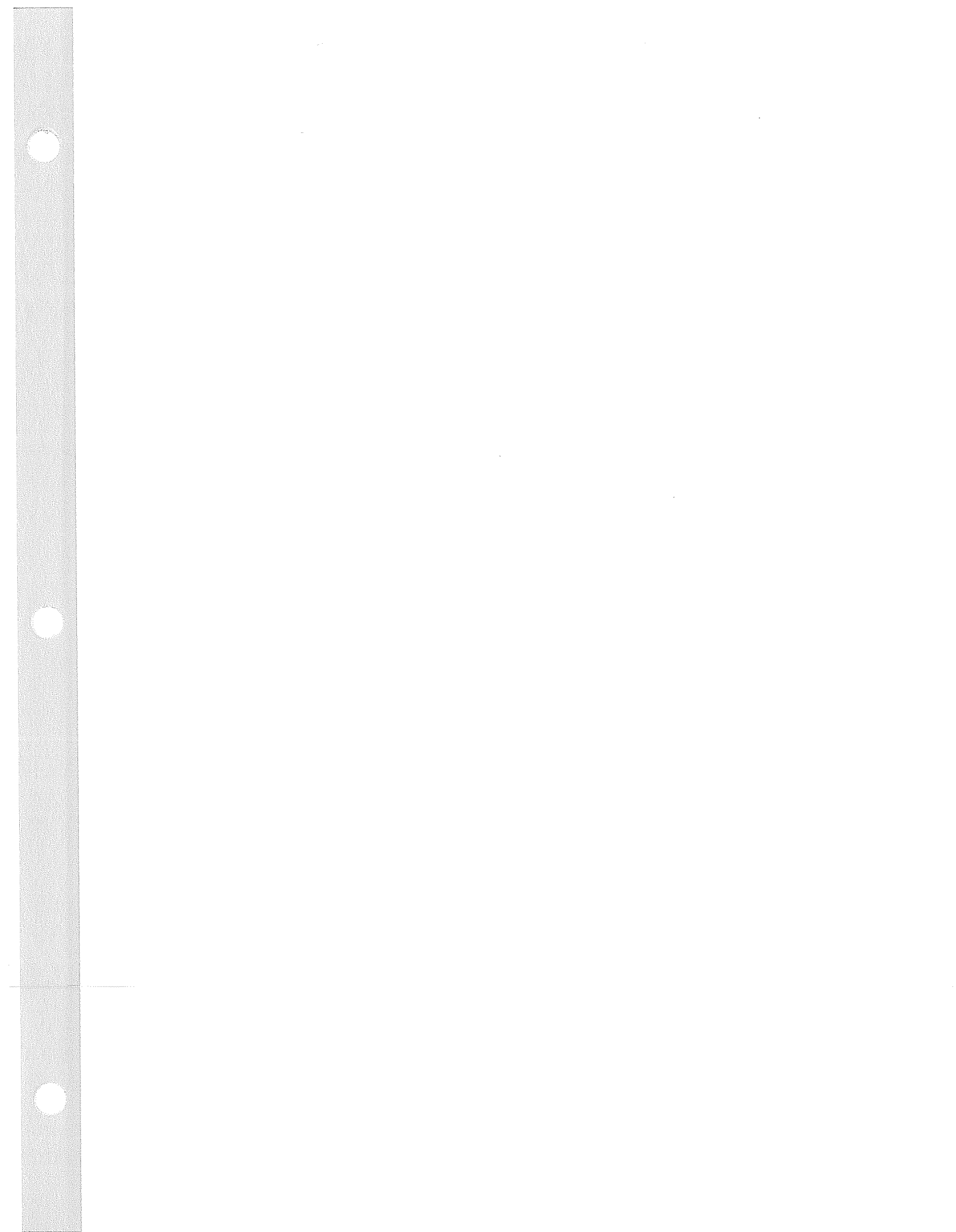
By: *Charles Williamson III*  
Title: vice president

AGREED AND ACCEPTED as of the date shown above:

JACKSON PURCHASE ENERGY CORP.  
By: *J. Kelly Quachob*  
Title: PRESIDENT & CEO

**Jackson Purchase Energy**  
**Loan Balances as of 6/30/2010**

<b>Note ID</b>	<b>Principal Balance</b>	<b>Final Payment Date</b>	<b>Years Remaining</b>	<b>Weighted Average Life</b>
1B300	1,672,127.52	12/31/2028	18.52	10.63
1B305	1,672,127.52	12/31/2028	18.52	10.63
<b>Totals</b>	<b>3,344,255.04</b>		<b>18.52</b>	<b>10.63</b>







**CERTIFICATE OF RECORDING OFFICIAL**

STATE OF KENTUCKY )  
 ) SS  
COUNTY OF BALLARD )

I, Lynn W. Lane, County Clerk of Ballard County, Kentucky, do hereby certify that the Supplemental Mortgage and Security Agreement dated as of July 14, 2010, by and between JACKSON PURCHASE ENERGY CORPORATION, UNITED STATES OF AMERICA, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, and COBANK, ACB, was filed of record in my office on September 10, 2010, to be recorded among the records maintained by me in which are recorded mortgages of real property at Mortgage Book 47, page 391.

*Lynn W Lane*  
\_\_\_\_\_  
County Clerk, Ballard County, Kentucky  
*Katie S Merca DC*

(AFFIX SEAL)

County Court Clerk: Please certify that the above-referenced document was recorded and supply filing information if available at this time.

9. 2010

**CERTIFICATE OF RECORDING OFFICIAL**

STATE OF KENTUCKY                    )  
  ) SS  
COUNTY OF CARLISLE                )

I, Theresa Owens, County Clerk of Carlisle County, Kentucky, do hereby certify that the Supplemental Mortgage and Security Agreement dated as of July 14, 2010, by and between JACKSON PURCHASE ENERGY CORPORATION, UNITED STATES OF AMERICA, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, and COBANK, ACB, was filed of record in my office on Sept 10, 2010, to be recorded among the records maintained by me in which are recorded mortgages of real property at Mortgage Book 128, page 562.

  
\_\_\_\_\_  
County Clerk, Carlisle County, Kentucky

(AFFIX SEAL)

County Court Clerk: Please certify that the above-referenced document was recorded and supply filing information if available at this time.

**CERTIFICATE OF RECORDING OFFICIAL**

STATE OF KENTUCKY )  
 ) SS  
COUNTY OF McCracken )

I, Jeff Jerrell, County Clerk of McCracken County, Kentucky, do hereby certify that the Supplemental Mortgage and Security Agreement dated as of July 14, 2010, by and between JACKSON PURCHASE ENERGY CORPORATION, UNITED STATES OF AMERICA, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, and COBANK, ACB, was filed of record in my office on September 9, 2010, to be recorded among the records maintained by me in which are recorded mortgages of real property at Mortgage Book 1277, page 1.

  
\_\_\_\_\_  
County Clerk, McCracken County, Kentucky

(AFFIX SEAL)

County Court Clerk: Please certify that the above-referenced document was recorded and supply filing information if available at this time.



**CERTIFICATE OF RECORDING OFFICIAL**

STATE OF KENTUCKY )  
 ) SS  
COUNTY OF LIVINGSTON )

I, Carroll Walker, County Clerk of Livingston County, Kentucky, do hereby certify that the Supplemental Mortgage and Security Agreement dated as of July 14, 2010, by and between JACKSON PURCHASE ENERGY CORPORATION, UNITED STATES OF AMERICA, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, and COBANK, ACB, was filed of record in my office on September 9, 2010, to be recorded among the records maintained by me in which are recorded mortgages of real property at Mortgage Book 269, page 265.

Carroll D. Walker By Ashley B. Gress  
County Clerk, Livingston County, Kentucky DC

(AFFIX SEAL)

County Court Clerk: Please certify that the above-referenced document was recorded and supply filing information if available at this time.

**SUPPLEMENTAL MORTGAGE  
AND  
SECURITY AGREEMENT**

**Made by and among**

**JACKSON PURCHASE ENERGY CORPORATION**

2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Mortgagor, and

**UNITED STATES OF AMERICA**

Rural Utilities Service  
Washington, D.C. 20250  
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  
Mortgagee

**Dated as of July 14, 2010**

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, AFTER-  
ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS  
NOTICE-THIS MORTGAGE SECURED CREDIT IN THE AMOUNT OF UP TO \$100,000,000.00.  
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 STEPHEN TICK, SHERMAN & HOWARD L.L.C., 633 17<sup>TH</sup> STREET,  
SUITE 3000 DENVER, COLORADO 80202

  
THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598

SUPPLEMENTAL MORTGAGE  
SCHEDULE C

EXCEPTED PROPERTY

NONE.

STATE OF KENTUCKY, COUNTY OF LIVINGSTON

I, Carroll D. Walker, Clerk of the County for the County and State aforesaid, certify that the foregoing instrument was on the 9 day of September, 2010 at 2:00 clock P.M. lodged for record, whereupon the same, with the foregoing, and this certificate, have been duly recorded in my office in Mortgage Book 269 page 265.  
Given under my hand this 9 day of September, 2010.

CARROLL D. WALKER

By Ashley B. Gress D.C.

Pd. Recording Fee 59.00 Deed Tax -



404320

Book: NIG Number: 269

Pages: 265 - 281

**SUPPLEMENTAL MORTGAGE  
AND  
SECURITY AGREEMENT**

Made by and among

**JACKSON PURCHASE ENERGY CORPORATION**

2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Mortgagor, and

**UNITED STATES OF AMERICA**

Rural Utilities Service  
Washington, D.C. 20250  
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  
Mortgagee

Dated as of July 14, 2010

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, AFTER-  
ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS  
NOTICE-THIS MORTGAGE SECURED CREDIT IN THE AMOUNT OF UP TO \$100,000,000.00.  
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 STEPHEN TICK, SHERMAN & HOWARD L.L.C., 633 17<sup>TH</sup> STREET,  
SUITE 3000, DENVER, COLORADO 80202



THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598

SUPPLEMENTAL MORTGAGE  
SCHEDULE C

EXCEPTED PROPERTY

NONE.

STATE OF KENTUCKY } SCT.  
COUNTY OF McCRACKEN

I, Jeff Jerrell, Clerk of the County Court for the County and State aforesaid, do  
certify that the foregoing instrument of writing  
was lodged for record on the 9th day of September 20 10  
at 10:00A -M. o'clock, and I have recorded the same together

with this and the foregoing certificate in my office in \_\_\_\_\_  
mtg Book No. 1277 Page No. 1

Given under my hand this 9th day of September 20 10.

JEFF JERRELL, CLERK

By Julie Briggs D.C.

**SUPPLEMENTAL MORTGAGE  
AND  
SECURITY AGREEMENT**

**Made by and among**

**JACKSON PURCHASE ENERGY CORPORATION**

2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Mortgagor, and

**UNITED STATES OF AMERICA**

Rural Utilities Service  
Washington, D.C. 20250  
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  
Mortgagee

Dated as of July 14, 2010

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY  
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SUITE 3000 DENVER, COLORADO 80202

  
THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598

State of Kentucky  
County of Carlisle

I, Theresa Owens, Clerk for the county of Carlisle &  
State aforesaid, do certify that this instrument was lodged for record  
In my office for record on the 10th of September , 2010 at the hour  
Of 9:35 A.M. & the same & the foregoing & this certificate have  
Been duly recorded in ~~MTG~~ Book 128 page 502 This the 10th day  
of September , 2010.

Theresa Owens, Clerk  
By Becky Martin D.C. \$ 59<sup>00</sup>

**SUPPLEMENTAL MORTGAGE  
AND  
SECURITY AGREEMENT**

**Made by and among**

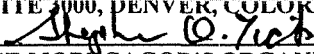
**JACKSON PURCHASE ENERGY CORPORATION**  
2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Mortgagor, and

**UNITED STATES OF AMERICA**  
Rural Utilities Service  
Washington, D.C. 20250  
Mortgagee  
and

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5500 South Quebec Street  
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Mortgagee

**Dated as of July 14, 2010**

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THIS INSTRUMENT WAS PREPARED BY STEPHEN TICK, SHERMAN & HOWARD L.L.C., 633 17<sup>TH</sup> STREET,  
SUITE 3000, DENVER, COLORADO 80202**  
  
**THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598**



SUPPLEMENTAL MORTGAGE  
SCHEDULE C

EXCEPTED PROPERTY

NONE.

Filed for record this 10th day of  
September 2010, at 9:58 o'clock A.m  
recorded in MTG BOOK 47 page 391  
**LYNN W. LANE, Ballard County Clerk**  
By Katie S Mercer  
Fee \$ 59.00



222966  
Filed on: 9/10/2010 10:42:22 AM  
Book: MORTGAGE Number: 47  
Pages: 391 - 407  
Lynn Lane, Ballard County Clerk  
DC: KATIE  
Deed Tax: \$0.00

STATE OF KENTUCKY, COUNTY OF MARSHALL  
I Dianne McKendree, Clerk of County Court for the County and State  
aforesaid, certify that the foregoing Mortgage was on the 9<sup>th</sup> day of Sept.  
2010 at 2:45 o'clock PM, lodged for record, whereupon the same, the  
foregoing and this certificate have been duly recorded in my said office in  
Mtg. Book 699 page 429  
Given under my hand this 10<sup>th</sup> day of Sept. 2010.

Dianne McKendree, Clerk

By Kristi Edwards

**SUPPLEMENTAL MORTGAGE  
AND  
SECURITY AGREEMENT**

**Made by and among**

**JACKSON PURCHASE ENERGY CORPORATION**

2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Mortgagor, and

**UNITED STATES OF AMERICA**

Rural Utilities Service  
Washington, D.C. 20250  
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  
Mortgagee

Dated as of July 14, 2010

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THIS INSTRUMENT WAS PREPARED BY STEPHEN TICK, SHERMAN & HOWARD L.L.C., 633 17<sup>TH</sup> STREET,  
SUITE 3000, DENVER, COLORADO 80202  
Stephen Tick  
THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598

FOR FILING OFFICER

Pd. \$ 59.00 Rec. fee \$ \_\_\_\_\_ Tax  
Date Filed 9-9-10 Time 2:45P

Dianne McKendree, Clerk

By H Moore D.C.

POB 929 42002

**SUPPLEMENTAL MORTGAGE  
SCHEDULE C**

**EXCEPTED PROPERTY**

NONE.



211119  
Filed on: 9/10/2010 10:39:22 AM  
Book: MTG Number: 699  
Pages: 429 - 445  
Dianne McKendree, Marshall County  
DC: KRISTI EDWARDS  
Deed Tax: \$0.00

Liton & Keuler  
555 Jefferson Street  
Paducah, KY 42001

5900 (17)

**SUPPLEMENTAL MORTGAGE  
AND  
SECURITY AGREEMENT**

**Made by and among**

**JACKSON PURCHASE ENERGY CORPORATION**

2900 Irvin Cobb Drive  
Paducah, Kentucky 42003  
Mortgagor, and

**UNITED STATES OF AMERICA**

Rural Utilities Service  
Washington, D.C. 20250  
Mortgagee  
and

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**CoBANK, ACB**

5500 South Quebec Street  
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Mortgagee

Dated as of July 14, 2010

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SUITE 3000, DENVER, COLORADO 80202

  
THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598

**SUPPLEMENTAL MORTGAGE  
SCHEDULE C**

**EXCEPTED PROPERTY**

NONE.

STATE OF KENTUCKY  
COUNTY OF GRAVES, Sct.

I, Barry Kennemore, Graves County Clerk in and for the  
State and County aforesaid do certify that this instrument

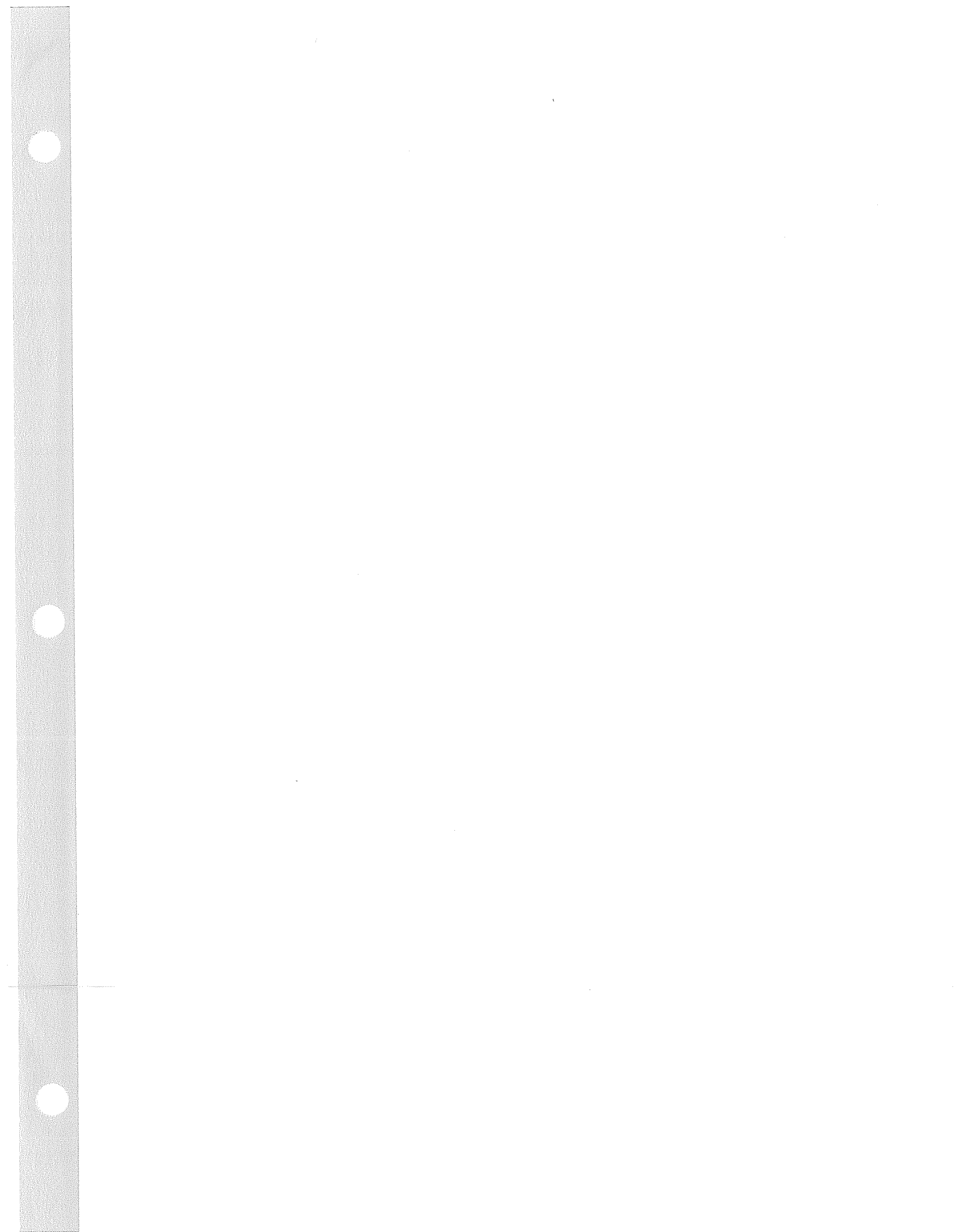
was lodged in my office for record on the 9 day of  
Sept 20 10, at 3:30 o'clock PM and the

same and the foregoing and this certificate have been duly  
recorded in Mtg Book 743 page 223

in the Graves County Clerk's Office this the 10  
day of Sept. 20 10

Barry Kennemore, Clerk

*Q Wiegand*



W. DAVID DENTON  
THOMAS J. KEULER  
WILLIAM E. PINKSTON  
LISA H. EMMONS  
DAVID L. KELLY  
THEODORE S. HUTCHINS\*  
GLENN D. DENTON\*  
STACEY A. BLANKENSHIP  
MELISSA D. YATES\*  
NEAL D. OLIPHANT  
DOUGLAS R. MOORE  
ROBERT W. GOFF\*\*  
JACKIE M. MATHENY JR.

\* Also Licensed To Practice in Illinois  
\*\* Also Licensed To Practice in Tennessee



ATTORNEYS AT LAW  
*A Limited Liability Partnership*

PADUCAH BANK BUILDING SUITE 301  
555 JEFFERSON STREET  
P.O. BOX 929  
PADUCAH, KENTUCKY 42002-0929

TELEPHONE  
(270) 443-8253

FACSIMILE  
(270) 442-6000

REAL ESTATE FACSIMILE  
(270) 442-6034

WEB SITE  
www.dklaw.com

October 1, 2010

MR CHUCK WILLIAMSON  
JACKSON PURCHASE ENERGY  
P O BOX 4030  
PADUCAH, KY 42002-4030

### UCC and Lien Search

Re: \$9,265,992.16 Credit Facilities from CoBank, ACB ("CoBank") to JACKSON PURCHASE ENERGY CORPORATION (the "Borrower")

Dear Chuck:

Pursuant to your instructions, I have examined the records in the office of the McCracken, Ballard, Carlisle, Graves, Marshall, and Livingston County Court Clerks pertaining to the following: Article 9 Fixture Filings, federal, state and local tax liens, judgment liens and other lien instruments affecting property held by Borrower. Our examination of these records was concluded on September 9, 2010, at the hour of 8:00 a.m. Our review of the records indicates the following:

1. Examination as to the bankruptcy of owners in the chain of title is limited to what is shown of record in the local County Court Clerk's Office.
2. There are no other liens on any property of the Borrower other than the lien of the Supplemental Mortgage and Security Agreement dated as of July 14, 2010 and liens permitted by the aforesaid Supplemental Mortgage.
13. I have examined the records which are available on the on-line database of the Secretary of State of the Commonwealth of Kentucky from July 1, 2001 to September 9, 2010, at 4:30 p.m., pertaining to Article 9, Security Interest Filings affecting

property held by the above named entities and individuals. My review found the following:

a. There are no other liens on any property of the Borrower other than liens permitted by the Supplemental Mortgage and Security Agreement dated as of July 14, 2010.

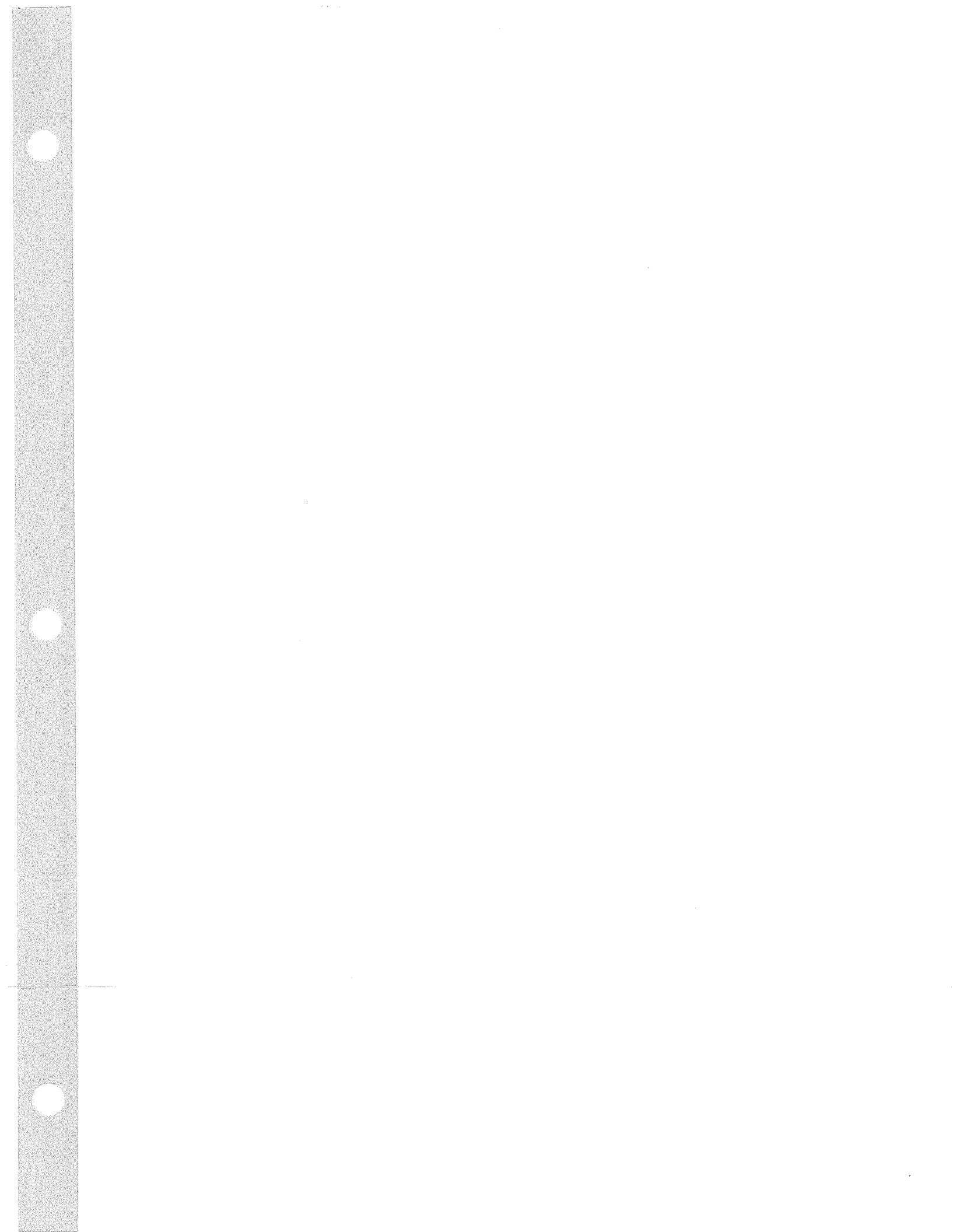
We have rendered this opinion solely for the benefit of Jackson Purchase Energy Corporation and no other person or entity shall be entitled to rely thereon.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Lisa H. Emmons", written in a cursive style.

Lisa H. Emmons





W. DAVID DENTON  
THOMAS J. KEULER  
WILLIAM E. PINKSTON  
LISA H. EMMONS  
DAVID L. KELLY  
THEODORE S. HUTCHINS\*  
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129068

September 10, 2010

CoBANK, ACB  
5500 S. Quebec Street  
Greenwood Village, CO 80111  
Attn: Communications and Energy Banking Group

National Rural Utilities Cooperative Finance Corporation  
2201 Cooperative Way  
Herndon, Virginia 20171-3025  
Attention: General Counsel

Rural Utilities Service  
United States Department of Agriculture  
Washington, DC 20250-1500  
Attention: General Counsel

#### POST CLOSING OPINION OF COUNSEL

Re: \$9,265,992.16 Credit Facilities from CoBank, ACB ("CoBank") to JACKSON PURCHASE  
ENERGY CORPORATION (the "Borrower")

Ladies and Gentlemen:

Reference is hereby made to the Promissory Notes and Supplements between the Borrower and CoBank dated as of July 14, 2010 and numbered RX0731T6 and RX0731T7 (the "Promissory Notes and Supplements"). This Opinion is being furnished to you pursuant to Section 10 of the Promissory Notes and Supplements. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in the Promissory Notes and Supplements or in the MLA (as defined in the Promissory Notes and Supplements).

Attached hereto are the following: (1) file-stamped copies of the Supplemental Mortgage showing that it has been recorded in each of the places required by the Promissory Note(s) and Supplement(s); and (2) tax, judgment, and UCC lien searches sufficient to identify all tax, judgment and UCC liens on any property of the Borrower (the "Lien Searches").

Based upon the foregoing, and with due regard for such legal and other considerations as I deem appropriate, I am of the opinion that:

1. Each of the Borrower's obligations under Section 10 of the Promissory Note(s) and Supplement(s) has been satisfied.
2. The Mortgage, as supplemented by the Supplemental Mortgage, accords CoBank, as security for the Promissory Notes and Supplements and, to the extent related thereto, the MLA, a duly recorded and perfected first priority Lien (shared pro rata with the Government) on all real property of the Borrower in which a Lien can be perfected by filing or recording a mortgage.
3. Based solely on the Lien Searches, there are no other Liens on any property of the Borrower other than the Lien of the Mortgage and Liens permitted by the Mortgage. To my actual knowledge, there are no other Liens on any property of the Borrower other than Liens shown in the Lien Searches.
4. The Borrower has paid all recording fees and taxes required to be paid under Law (if any) in connection with the Current Loan Documents, including any arising in connection with recording the Supplemental Mortgage.

As to matters of law, I limit my opinion to the laws of the Commonwealth of Kentucky and the laws of the United States of America.

Very truly yours,

A handwritten signature in black ink, appearing to be "Robert P. ...", with a long horizontal flourish extending to the right.