

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 23 2012

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF JACKSON PURCHASE ENERGY )  
CORPORATION FOR AUTHORIZATION TO )  
REFINANCE FROM COBANK AND EXECUTE )  
NECESSARY NOTES )

CASE NO.: 2011-00466

**JACKSON PURCHASE ENERGY CORPORATION'S  
NOTICE OF COMPLIANCE WITH COMMISSION'S ORDER**

Comes Jackson Purchase Energy Corporation ("JPEC") and in compliance with the Commission's Order dated December 28, 2011, notifies the Commission that the exact amount of the new CoBank loan is \$9,403,475.25.

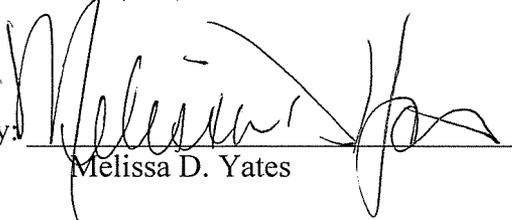
In its Order, the Commission ordered that JPEC provide it with an updated version of Exhibit 1, Tab 2, pages 2 through 6, from JPEC's Application, reflecting the savings based upon the actual amount of the new CoBank loan. The amount of the payoff was exactly that which was used in the analysis completed in said exhibit. Accordingly, the savings are exactly what was anticipated in the initial filing. As such, no update of said exhibit is necessary.

Finally, in compliance with the Commission's Order dated December 28, 2011, JPEC tenders three (3) copies of the new CoBank loan documents for filing of record in this matter. Said loan documents are attached hereto and incorporated herein as Exhibit "A."

Respectfully submitted,

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

By:

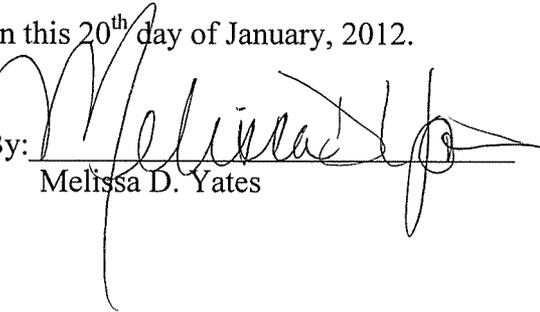
  
Melissa D. Yates

ATTORNEYS FOR JPEC

I hereby certify that the foregoing has  
been served by federal express delivery  
of a true and correct copy to:

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

on this 20<sup>th</sup> day of January, 2012.

By:   
Melissa D. Yates

**COBANK, ACB**  
**\$19,403,475.25 AMENDED AND RESTATED COMMITTED**  
**REVOLVING CREDIT SUPPLEMENT AND RUS REFINANCE**  
**TO**  
**JACKSON PURCHASE ENERGY CORPORATION**

**RECEIVED**

JAN 23 2012

PUBLIC SERVICE  
COMMISSION

**LOAN CLOSING CHECKLIST**

No.	DOCUMENT	TO BE EXECUTED BY:	NUMBER OF COPIES	Date Rec'd
1.	Amended and Restated Master Loan Agreement Loan No. RIML0731A	Authorized Officer of the Company and CoBank	1 original	
2.	Amended and Restated Promissory Note and Committed Revolving Credit Supplement Loan No. RIML0731S1B (up to \$10,000,000)	Authorized Officer of the Company and CoBank	1 original	
3.	Promissory Note and Term Loan Supplement No. RIML0731T9 (\$9,403,475.25 RUS Refinance)	Authorized Officer of the Company and CoBank	1 original	
4.	RUS Payoff Letter	Company to obtain from RUS	1 copy	
5.	Copy of Existing RUS Mortgage, as supplemented to the date hereof.	Counsel to CoBank and Company	1 copy	
6.	Copy of Existing UCC-1 financing statement	Counsel to CoBank and Company	1 copy	
7.	Request for Loan	Authorized Officer of the Company	1 original	
8.	Notification to RUS and CFC Required by Section 2.02 of the Mortgage	Authorized Officer of the Company	1 original	
9.	Application for Credit	Authorized Officer of the Company	1 original	
10.	Board Resolution	Certified by the Secretary of the Company	1 original	
11.	Incumbency Certificate dated July 8, 2010	N/A (Existing)	N/A (Existing)	
12.	Delegation and Wire Transfer Authorization Form dated July 8, 2010	N/A (Existing)	N/A (Existing)	
13.	Evidence of Regulatory and Other Third Party Approvals	Company	1 copy	
14.	Evidence of Insurance	Already Provided	Already Provided	
15.	Opinion of Counsel	Counsel to Company	1 original	
16.	Notice To Borrower	N/A	N/A	

**AMENDED AND RESTATED MASTER LOAN AGREEMENT**

**THIS AMENDED AND RESTATED MASTER LOAN AGREEMENT** (this "Agreement") is entered into as of January 3, 2012 between JACKSON PURCHASE ENERGY CORPORATION, Paducah, Kentucky, a Kentucky corporation (the "Company") and CoBANK, ACB, a federally chartered instrumentality of the United States ("CoBank").

**BACKGROUND**

The Company and CoBank are parties to an Amended and Restated Master Loan Agreement No. RIM60731 dated as of June 19, 2003 (the "Existing Agreement"). Pursuant to the terms of the Existing Agreement, the parties entered into one or more Supplements and/or Promissory Note and Supplements thereto (the "Existing Promissory Note and Supplements"). The Company and CoBank now desire to amend and restate the Existing Agreement and to apply such new agreement to the Existing Promissory Note and Supplements, as well as any new Promissory Note and Supplements that may be issued thereunder. For that reason and for valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company and CoBank hereby agree that the Existing Agreement shall be amended and restated to read as follows:

**SECTION 1. Note and Supplements.** In the event the Company desires to borrow from CoBank and CoBank is willing to lend to the Company, or in the event the parties desire to consolidate any existing loans hereunder, the parties will enter into a Note and Supplement to this Agreement (a "Note and Supplement"). Each Note and Supplement will set forth CoBank's commitment to make a loan or loans to the Company, the amount of the loan(s), the purpose of the loan(s), the interest rate or rate options applicable to the loan(s), the repayment terms of the loan(s), and any other terms and conditions applicable to the particular loan(s). Each Note and Supplement will also contain a promissory note of the Company setting forth the Company's obligation to make payments of interest on the unpaid principal balance of the loan(s), and fees and premiums, if any, and to repay the principal balance of the loan(s). Each loan will be governed by the terms and conditions contained in this Agreement and in the Note and Supplement relating to that loan.

**SECTION 2. Notice and Manner of Borrowing.** Loans will be made available on any day on which CoBank and the Federal Reserve Banks are open for business (a "Business Day") upon the telephonic or written request of an authorized employee of the Company. Requests for loans must be received by 12:00 noon Company's local time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds. Wire transfers will be made to such account or accounts as may be authorized by the Company.

**SECTION 3. Payments.** Payments under each Note and Supplement shall be made by wire transfer of immediately available funds, by check, or by automated clearing house (ACH) or other similar cash handling processes as specified by separate agreement between the Company and CoBank. Wire transfers shall be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as CoBank may direct by notice). The Company shall give CoBank telephonic notice no later than 12:00 noon Company's local time of its intent to pay by wire, and funds received after 3:00 p.m. Company's local time shall be credited on the next Business Day. Checks shall be mailed to CoBANK,

Department 167, Denver, Colorado 80291-0167 (or to such other place as CoBank may direct by notice). Credit for payment by check will not be given until the later of the next Business Day after receipt of the check or the day on which CoBank receives immediately available funds.

#### **SECTION 4. Security, Guarantee(s) and Title Insurance.**

**Company Security.** The Company's obligations under this Agreement and each Note and Supplement shall be secured by a statutory first lien on all equity that the Company may now own or hereafter acquire or be allocated in CoBank. In addition, except as otherwise provided in a Note and Supplement, the Company's obligations hereunder and under each Note and Supplement, shall be secured by a first priority lien (subject only to exceptions approved in writing by CoBank) and shared pro rata with the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC") on all real and personal property of the Company, whether now existing or hereafter acquired. The Company agrees to take such steps, including the execution and recordation and filing of mortgages, deeds of trust, security agreements, financing statements, and amendments to any of the foregoing, and such other instruments and documents, as CoBank may require to enable CoBank to obtain, perfect, and maintain a lien on such property, and the payment of any applicable mortgage recording tax and documentary stamp taxes.

#### **SECTION 5. Conditions Precedent.**

**(A) Conditions to Initial Note and Supplement.** CoBank's obligation to extend credit under the initial Note and Supplement hereto is subject to the condition that CoBank receive, in form and content acceptable to CoBank, each of the following:

**(1) This Agreement.** A duly executed original copy of this Agreement and all instruments and documents contemplated hereby.

**(2) Delegation Form.** A duly completed and executed original copy of a CoBank Delegation and Wire and Electronic Transfer Authorization Form.

**(3) Security, Guarantee(s) and Title Insurance.** (a) A duly executed copy of each security document and/or guarantee required by Section 4 of this Agreement, (b) such evidence as CoBank shall require that all steps required by CoBank to enable CoBank to obtain and perfect its lien on the security have been taken and that such lien has the priority contemplated by this Agreement, and (c) any title insurance commitment or title opinion required by Section 4 of this Agreement.

**(B) Conditions to Each Note and Supplement.** CoBank's obligations to extend credit under each Note and Supplement hereto, including the initial Note and Supplement, is subject to the conditions precedent that CoBank receive, in form and content satisfactory to CoBank, each of the following:

**(1) Note and Supplement.** A duly executed original copy of the Note and Supplement and all instruments and documents contemplated by the Note and Supplement.

**(2) Evidence of Authority.** Such certified board resolutions, certificates of incumbency, and other evidence that CoBank may require that the Note and Supplement, all instruments and documents executed in connection therewith, and, in the case of the initial Note and Supplement hereto, this Agreement and all instruments and documents executed in connection herewith, including any security documents, have been duly authorized and executed.

**(3) Consents and Approvals.** Such evidence as CoBank may require that all regulatory and other consents and approvals referred to in Section 6(D) hereof have been obtained and are in full force and effect.

**(4) Fees and Other Charges.** Any fees or other charges provided for herein or in the Note and Supplement.

**(5) Insurance.** Such evidence as CoBank may require that the Company is in compliance with Section 7(C) hereof.

**(6) Opinion of Counsel.** An opinion of counsel to the Company (which counsel must be acceptable to CoBank).

**(C) Conditions to Each Loan.** CoBank's obligation under each Note and Supplement to make any loan to the Company thereunder is subject to the condition that no "Event of Default" (as defined in Section 10 hereof) or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would ripen into an Event of Default (a "Potential Default") shall have occurred and be continuing.

**SECTION 6. Representations and Warranties.** The execution by the Company of each Note and Supplement hereto shall constitute a representation and warranty that:

**(A) Application.** Each representation and warranty and all information set forth in any application or other document submitted in connection with, or to induce CoBank to enter into, such Note and Supplement is correct in all material respects as of the date of such Note and Supplement. In addition, the renewal or extension by CoBank of any Note and Supplement hereto shall constitute a representation and warranty that each representation and warranty and all information concerning environmental matters related to the Company's property set forth in any application or other document submitted in connection with, or to induce CoBank to enter into any Note and Supplement, is correct in all material respects as of the date of renewal or extension of such Note and Supplement.

**(B) Budgets.** All budgets, projections, feasibility studies, and other documentation submitted by the Company to CoBank in connection with, or to induce CoBank to enter into, such Note and Supplement are based upon assumptions that are reasonable and realistic, and as of the date of such Note and Supplement, no fact has come to light, and no event has occurred, which would cause any assumption made therein to not be reasonable or realistic.

**(C) Conflicting Agreements.** Neither this Agreement nor any Note and Supplement or other instrument or document securing or otherwise relating hereto or to any Note and Supplement (collectively, at any time, the "Loan Documents") conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Company is a party or by which it or any of its property may be bound or affected, and does not conflict with any provision of its bylaws, articles of incorporation or other organizational documents.

**(D) Consents and Approvals.** No consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Company is a party or by which it or any of its property may be bound or affected, is necessary in connection with the project, acquisition or other activity being financed by such Note and Supplement, or the execution, delivery, performance or enforcement of any Loan Document, except as have been obtained and are in full force and effect.

**(E) Compliance.** The Company is in compliance with all of the terms of the Loan Documents and no Event of Default or Potential Default exists.

**(F) Binding Agreement.** The Loan Documents create legal, valid, and binding obligations of the Company which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally.

**SECTION 7. Affirmative Covenants.** Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company agrees to:

**(A) Corporate Existence, Etc.** Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by law, rule, regulation, code, ordinance, order or the like (collectively, "Laws").

**(B) Compliance With Laws.** Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection. In addition, the Company agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

**(C) Insurance.** Maintain insurance with insurance companies or associations acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same business and similarly situated, and make such increases in the type or amount of coverage as CoBank may reasonably request. All such policies insuring any collateral for the Company's obligations to CoBank shall have lender or mortgagee loss payable clauses or endorsements in form and content acceptable to CoBank. At CoBank's request, the Company agrees to deliver to CoBank such proof of compliance with this Subsection as CoBank may require.

**(D) Property Maintenance.** Maintain all of its property that is necessary to or useful in the proper conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and make all alterations, replacements, and improvements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. The Company agrees that at CoBank's request, which request may not be made more than once a year, the Company will furnish to CoBank a report on the condition of the Company's property prepared by a professional engineer satisfactory to CoBank.

**(E) Books and Records.** Keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles ("GAAP") consistently applied.

**(F) Inspection.** Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books and records, and to discuss its affairs, finances and accounts with its officers, directors, employees, and independent certified public accountants.

**(G) Reports and Notices.** Furnish to CoBank:

**(1) Annual Financial Statements.** As soon as available, but in no event more than 120 days after the end of each fiscal year of the Company occurring during the term hereof, annual consolidated and consolidating financial statements of the Company and its consolidated subsidiaries, if any, prepared in accordance with GAAP consistently applied. Such financial statements shall: (a) be audited by independent certified public accountants selected by the Company and acceptable to CoBank; (b) be accompanied by a report of such accountants containing an opinion thereon acceptable to CoBank; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

**(2) Interim Financial Statements.** As soon as available, but in no event more than 60 days after the end of each fiscal quarter (other than the last fiscal quarter of each fiscal year) of the Company, a balance sheet of the Company as of the end of such fiscal quarter, a statement of income for the Company for such period and for the period year-to-date, and such other interim statements as CoBank may specifically request, all prepared in reasonable detail and in comparative form in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company); and, if required by written notice from CoBank, (a) on a consolidated and consolidating basis for the Company and its consolidated subsidiaries, if any, in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company), and/or (b) certified by an authorized officer or employee of the Company acceptable to CoBank.

**(3) Notice of Default.** Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, the occurrence of

any breach, default, event of default or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the Company is a party or by which it or any of its property may be bound or affected.

**(4) Notice of Litigation, Environmental Matters, Etc.** Promptly after becoming aware thereof, notice of: (a) the commencement of any action, suit or proceeding before any court, arbitrator or governmental instrumentality which, if adversely decided, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Company; (b) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the Company to undertake or to contribute to a clean-up or other response under any environmental Law, or which seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such Law, or which claims personal injury or property damage as a result of environmental factors or conditions; and (c) any matter which could have a material adverse effect on the Company, including any decision of any regulatory authority or commission.

**(5) Notice of Certain Events.** Notice of each of the following at least 30 days prior thereto: (a) any change in the Company's name or corporate structure; and (b) any change in the principal place of business of the Company or the office where its records concerning its accounts are kept.

**(6) Annual RUS Financial and Operating Report Electric Distribution (formerly known as RUS Form 7).** As soon as available, but in any event within 90 days after the end of each calendar year occurring during the term hereof, a duly completed copy of RUS Financial and Operating Report Electric Distribution (formerly known as RUS Form 7) for December 31 of such year.

**(7) Other Information.** Such other information regarding the condition or operations, financial or otherwise, of the Company as CoBank may from time to time reasonably request, including, but not limited to, copies of all pleadings, notices and communications referred to in Subsection (G)(4) above.

**(H) Capital.** Acquire equity in CoBank in such amounts and at such times as CoBank may from time to time require in accordance with its Bylaws and Capital Plan (as each may be amended from time to time), except that the maximum amount of equity that the Company may be required to purchase in connection with a loan may not exceed the maximum amount permitted by the Bylaws at the time the Note and Supplement relating to such loan is entered into or such loan is renewed or refinanced by CoBank. The rights and obligations of the parties with respect to such equity and any patronage or other distributions made by CoBank shall be governed by CoBank's Bylaws and Capital Plan (as each may be amended from time to time).

**SECTION 8. Negative Covenants.** Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company will not:

**(A) Other Indebtedness.** Create, incur, assume or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, the deferred purchase price of property or services, or capitalized leases, except for: (1) debt to CoBank; (2) accounts payable to trade creditors; (3) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business; (4) capitalized leases in an aggregate amount not to exceed 5% of the Company's equity at any one time; (5) unsecured indebtedness to CoBank and other lenders, provided, however, that such debt shall be limited to 15% of "Net Utility Plant" (as determined in accordance with the system of accounts established by RUS (the "RUS System of Accounts"), or such other commission or body as may be agreeable to CoBank) if, after giving effect thereto, the Company's equity shall be less than 27.5% of its total assets; (6) purchase money indebtedness incurred with respect to non-utility property and secured by a lien on the property being financed; and (7) secured debt to RUS and any other lender(s) that are parties to the RUS mortgage.

**(B) Liens.** Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"). The foregoing restrictions shall not apply to: (1) Liens in favor of CoBank, RUS and any mortgagees under the RUS mortgage; and (2) Permitted Encumbrances (as defined in the RUS mortgage).

**(C) Mergers, Acquisitions, Etc.** Merge or consolidate with any other entity or acquire all or a material part of the assets of any other person or entity.

**(D) Transfer of Assets.** Sell, transfer, lease, or otherwise dispose of any of its assets, except in the ordinary course of business.

**(E) Distributions.** Declare or pay any dividends or patronage refunds, or declare or grant any general cancellation or abatement of charges for electric energy or services furnished by the Company, or purchase, retire, or redeem any patronage or other capital, or make any other distribution of any kind (whether in cash or property) to its members, stockholders or consumers (collectively, "Distributions"), except that the Company may, in any fiscal year, make Distributions provided that, both before and after giving effect thereto, the Company shall be in compliance with its Equity to Total Assets Ratio under Section 9 hereof.

**(F) Loans, Investments and Contingent Liabilities.** Make any loan or advance to, or make any investment in, or purchase or make any commitment to purchase any stock, bonds, notes or other securities of, or guaranty, assume or otherwise become obligated or liable with respect to the obligations of, any person or entity, except: (1) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof; (2) existing investments in generation and transmission cooperatives and investments in CoBank and other lenders organized on a cooperative basis; and (3) such other loans, guaranties, deposits, advances, investments, and obligations as may from time to time be made, purchased or undertaken by the Company; provided, however, that the aggregate cost of such other investments, plus the total unpaid principal amount of such other loans, guaranties, deposits, advances and obligations shall not at any time exceed 15% of the Company's "Total Utility Plant" (as determined in accordance with the RUS System of Accounts).

**(G) Change in Business.** Engage in any business activities or operations substantially different from or unrelated to the Company's present business activities or operations.

**(H) Transactions with Affiliates.** Enter into any transaction with any affiliate except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's-length transaction with a person or entity that was not an affiliate.

**SECTION 9. Financial Covenants.** Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect:

**(A) Equity to Total Assets.** The Company and its consolidated subsidiaries, if any, will have at the end of each fiscal quarter of the Company, a ratio of consolidated total equity to consolidated total assets (both as determined in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company) of not less than 0.275 to 1.0.

**(B) Debt Service Coverage Ratio.** The Company and its consolidated subsidiaries, if any, will have at the end of each fiscal year of the Company, a "Debt Service Coverage Ratio" (as defined below) for such year of not less than 1.25 to 1.0. For purposes hereof, the term "Debt Service Coverage Ratio" shall mean the ratio of: (1) net income (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus depreciation expense, amortization expense, and interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures; to (2) all principal payments due within the period on all "Long-Term Debt" (as defined below) plus interest expense (all as calculated on a consolidated basis for the applicable period in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company). For purposes hereof, "Long-Term Debt" shall mean, for the Company, on a consolidated basis, the sum of (a) all indebtedness for borrowed money, (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, and (c) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP, in each case having a maturity of more than one year from the date of its creation or having a maturity within one year from such date but that is renewable or extendible, at the Company's option, to a date more than one year from such date or that arises under a revolving credit or similar agreement that obligates the lender(s) to extend credit during a period of more than one year from such date, including all current maturities in respect of such indebtedness whether or not required to be paid within one year from the date of its creation.

**SECTION 10. Events of Default.** Each of the following shall constitute an "Event of Default" hereunder:

**(A) Payment Default.** The Company should fail to make any payment to CoBank when due and such failure shall continue for five days.

**(B) Representations and Warranties.** Any opinion, certificate or like document furnished to CoBank by or on behalf of the Company, or any representation or warranty made by the Company herein, in any security instrument or document, or in any other Loan Document, shall prove to have been false or misleading in any material respect on or as of the date furnished or made.

**(C) Covenants.** The Company should fail to perform or comply with any covenant set forth in Section 7 hereof (other than Sections 7(G)(3), (4) and (5) hereof), Section 8 hereof or any Note and Supplement and such failure continues for 30 days after written notice thereof shall have been delivered to the Company by CoBank.

**(D) Other Covenants and Agreements.** The Company should fail to perform or comply with Sections 7(G)(3), (4) or (5) hereof or any other covenant or agreement contained herein or in a Note and Supplement or shall use the proceeds of any loan for any unauthorized purpose.

**(E) Cross Default.** The Company should, after any applicable grace period, breach or be in default under the terms of any other Loan Document (including, without limitation, any security instrument or document) or any other agreement between the Company and CoBank, or between the Company and any affiliate of CoBank, including without limitation Farm Credit Leasing Services Corporation.

**(F) Other Indebtedness.** The Company should fail to pay when due any indebtedness to any other person or entity for borrowed money or any long-term obligation for the deferred purchase price of property (including any capitalized lease), or any other event occurs which, under any agreement or instrument relating to such indebtedness or obligation, has the effect of accelerating or permitting the acceleration of such indebtedness or obligation, whether or not such indebtedness or obligation is actually accelerated or the right to accelerate is conditioned on the giving of notice, the passage of time, or otherwise.

**(G) Judgments.** A judgment, decree, or order for the payment of money shall have been rendered against the Company and either: (1) enforcement proceedings shall have been commenced; (2) a Lien prohibited by this Agreement, any security instrument or document, or any other Loan Document shall have been obtained; or (3) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

**(H) Insolvency, Etc.** The Company shall: (1) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (2) suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (3) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (4) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian and such action or proceeding is not dismissed within 30 days of the date thereof or a trustee, receiver, or other custodian is appointed for all or any part of its property; or (5) receive notice from any regulatory or governmental authority to the effect that such

authority intends to replace the management of the Company or assume control over the Company; or (6) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

**(I) Material Adverse Change.** Any material adverse change occurs, as reasonably determined by CoBank, in the condition, financial or otherwise, operations, business or properties of the Company or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

**SECTION 11. Remedies.** Upon the occurrence and during the continuance of an Event of Default or Potential Default, CoBank shall have no obligation to extend or continue to extend credit to the Company and may discontinue doing so at any time without prior notice or other limitation. In addition, upon the occurrence and during the continuance of any Event of Default, CoBank may, upon notice to the Company:

**(A) Termination and Acceleration.** Terminate any commitment and declare the unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Agreement, each Note and Supplement, and all other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company.

**(B) Enforcement.** Proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Agreement, any security instrument or document, any other Loan Document, or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any future or other exercise thereof, or the exercise of any other right. Without limiting the foregoing, CoBank may hold and/or set off and apply against the Company's obligations to CoBank the proceeds of any equity in CoBank, any cash collateral held by CoBank, or any balances held by CoBank for the Company's account (whether or not such balances are then due).

**(C) Application of Funds.** CoBank may apply all payments received by it to the Company's obligations to CoBank in such order and manner as CoBank may elect in its sole discretion.

In addition to the rights and remedies set forth above and notwithstanding any Note and Supplement: (1) upon the occurrence and during the continuance of an Event of Default, at CoBank's option in each instance, the entire indebtedness outstanding hereunder and under each Note and Supplement shall bear interest from the date of such Event of Default until such Event of Default shall have been waived or cured in a manner satisfactory to CoBank at 4.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Note and Supplements; and (2) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) shall automatically bear interest at 4.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that

loan under the terms of the Note and Supplement. All interest provided for herein shall be payable on demand and shall be calculated on the basis of a year consisting of 360 days.

**SECTION 12. Miscellaneous.**

**(A) Broken Funding Surcharge.** Notwithstanding the terms of any Note and Supplement giving the Company the right to repay any loan prior to the date it would otherwise be due and payable, the Company agrees to provide three Business Days' prior written notice for any prepayment of a fixed rate balance and to pay to CoBank a broken funding surcharge in the amount set forth below in the event the Company: (1) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (2) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (3) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge shall be in an amount equal to the greater of (a) the sum of: (i) the present value of any funding losses imputed by CoBank to have been incurred as a result of such payment, conversion or failure; plus (ii) a per annum yield of 0.50% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate, or (b) \$300.00. Such surcharge shall be determined and calculated in accordance with methodology established by CoBank, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and of the broken funding charge section of a forward fix agreement between CoBank and the Company, the provisions of the forward fix agreement shall control.

**(B) Complete Agreement, Amendments, Etc.** The Loan Documents are intended by the parties to be a complete and final expression of their agreement. No amendment, modification, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Company herefrom or therefrom, shall be effective unless approved by CoBank and contained in a writing signed by or on behalf of CoBank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event this Agreement is amended or restated, each such amendment or restatement shall be applicable to all Note and Supplements hereto. Each Note and Supplement shall be deemed to incorporate all of the terms and conditions of this Agreement as if fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Note and Supplement (or in any amendment to this Agreement or Note and Supplement) and not otherwise defined in the Note and Supplement (or amendment) shall have the meaning set forth herein or, if applicable, in the RUS System of Accounts. In the event the RUS System of Accounts is changed after the date hereof, then all such changes shall be applicable hereto, unless CoBank otherwise specifies in writing.

**(C) Applicable Law.** Without giving effect to the principles of conflict of laws and except to the extent governed by federal law, the Laws of the State of Colorado, without reference to choice of law doctrine, shall govern this Agreement, each Note and Supplement and any other Loan Document for which Colorado is specified as the applicable law, and all disputes and matters between the parties to this Agreement, including all disputes and matters whatsoever arising under, in connection with or incident to the lending and/or leasing or other business relationship between the parties, and the rights and

obligations of the parties to this Agreement or any other Loan Document by and between the parties for which Colorado is specified as the applicable law.

**(D) Notices.** All notices hereunder shall be in writing and shall be deemed to have been duly given upon delivery if personally delivered or sent by facsimile or similar transmission, or three (3) days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address as either party may specify by like notice):

If to CoBank, as follows:

For general correspondence purposes:  
P.O. Box 5110  
Denver, Colorado 80217-5110

For direct delivery purposes, when desired:  
5500 South Quebec Street  
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services  
Fax No.: (303) 224-6101

If to the Company, as follows:

JACKSON PURCHASE ENERGY  
CORPORATION  
P.O. Box 4030  
Paducah, Kentucky 42002-4030

Attention: Vice President of  
Finance and Accounting

Fax No.: (270) 442-5337

**(E) Other Types of Credit.** From time to time, CoBank may issue letters of credit or extend other types of credit to or for the account of the Company. In the event the parties desire to do so under the terms of this Agreement, then the agreement of the parties with respect thereto may be set forth in a Note and Supplement to this Agreement and this Agreement shall be applicable thereto.

**(F) Costs, Expenses, and Taxes.** To the extent allowed by Law, the Company agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained or employed by CoBank) incurred by CoBank and any participants for CoBank in connection with the origination, administration, collection and enforcement of this Agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in obtaining, perfecting, maintaining, determining the priority of, and releasing any security for the Company's obligations to CoBank, and any stamp, intangible, transfer or like tax incurred in connection with this Agreement or any other Loan Document or the recording hereof or thereof.

**(G) Effectiveness and Severability.** This Agreement shall continue in effect until: (1) all indebtedness and obligations of the Company under this Agreement and the other Loan Documents shall have been paid or satisfied; (2) CoBank has no commitment to extend credit to or for the account of the Company under any Note and Supplement; and (3) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or thereof.

**(H) Successors and Assigns.** This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Company and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of CoBank.

**(I) Participations, Etc.** From time to time, CoBank may sell to one or more banks, financial institutions, or other lenders a participation in one or more of the loans or other extensions of credit made pursuant to this Agreement. However, no such participation shall relieve CoBank of any commitment made to the Company hereunder. In connection with the foregoing, CoBank may disclose information concerning the Company and its subsidiaries, if any, to any participant or prospective participant, provided that such participant or prospective participant agrees to keep such information confidential. Patronage distributions in the event of a sale of a participation interest shall be governed by CoBank's Bylaws and Capital Plan (as each may be amended from time to time). A sale of a participation interest may include certain voting rights of the participants regarding the loans hereunder (including without limitation the administration, servicing, and enforcement thereof). CoBank agrees to give written notification to the Company of any sale of a participation interest.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

JACKSON PURCHASE ENERGY  
CORPORATION

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

By: *Barry Dainew*

Title: \_\_\_\_\_

Title: *Chairman / chair*

**AMENDED AND RESTATED PROMISSORY NOTE AND  
COMMITTED REVOLVING CREDIT SUPPLEMENT**

**THIS AMENDED AND RESTATED PROMISSORY NOTE AND SUPPLEMENT** (this “Promissory Note and Supplement”) to the Amended and Restated Master Loan Agreement dated as of January 3, 2012 (the “MLA”) is entered into as of January 3, 2012 between **JACKSON PURCHASE ENERGY CORPORATION, Paducah, Kentucky**, a Kentucky corporation (the “Company”) and **CoBANK, ACB**, a federally chartered instrumentality of the United States (“CoBank”).

**BACKGROUND**

The Company and CoBank are parties to an Amended and Restated Promissory Note and Committed Revolving Credit Supplement No. RIML0731S1A dated as of April 9, 2009 in the original principal amount of \$20,000,000.00, as amended (the “Existing Promissory Note and Supplement”). The Company and CoBank now desire to amend and restate the Existing Promissory Note and Supplement. The execution of this Promissory Note and Supplement shall not constitute a novation of the indebtedness outstanding under the Existing Promissory Note and Supplement. For valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company and CoBank hereby agree that the Existing Promissory Note and Supplement shall be amended and restated in its entirety to read as follows:

**SECTION 1. The Revolving Credit Facility.** On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make loans to the Company during the period set forth below in an aggregate principal amount not to exceed \$10,000,000.00 at any one time outstanding (the “Commitment”). Within the limits of the Commitment, the Company may borrow, repay and re-borrow.

**SECTION 2. Purpose.** The purpose of the Commitment is to finance the operating needs of the Company.

**SECTION 3. Term.** The term of the Commitment shall be from the date hereof, up to and including September 30, 2012, or such later date as CoBank may, in its sole discretion, authorize in writing. Notwithstanding the foregoing, the Commitment shall be renewed for an additional year only if, on or before the last day of the term (the “Expiration Date”), CoBank provides to the Company a written notice of renewal for an additional year (a “Renewal Notice”). If on or before the Expiration Date, CoBank grants a short-term extension of the Commitment, the Commitment shall be renewed for an additional year only if CoBank provides to the Company a Renewal Notice on or before such extended expiration date. All annual renewals shall be measured from, and effective as of, the same day as the Expiration Date in any year.

**SECTION 4. Interest.** The Company agrees to pay interest on the unpaid balance of the loan(s) 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 30 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 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 for periods expiring after the maturity date of the loans and 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. Fees. INTENTIONALLY OMITTED.**

**SECTION 6. Promissory Note.** The Company promises to repay the unpaid principal balance of the loans on the last day of the term of the Commitment, as the term may be extended from time to time. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loans at the times and in accordance with the provisions set forth above.

**SECTION 7. Letters of Credit.** In addition to loans, the Company may utilize, if agreeable to CoBank in its sole discretion in each instance, the Commitment to open irrevocable letters of credit for its account. Each letter of credit will be issued within a reasonable period of time after CoBank's receipt of a duly completed and executed copy of CoBank's then current form of Application and Reimbursement Agreement, or, if applicable, in accordance with the terms of any CoTrade Agreement between the parties, and shall reduce the amount available under the Commitment by the maximum amount capable of being drawn thereunder. Each letter of credit must be in form and content acceptable to CoBank and must expire no later than the maturity date of the Commitment. Any draw under any letter of credit issued hereunder shall be deemed a loan under the Commitment and shall be paid in accordance with this Promissory Note and Supplement.

**SECTION 8. Security.** Notwithstanding the provisions of the Security, Guarantee(s) and Title Insurance Section of the MLA to the contrary, except for CoBank's statutory first lien on all equity that the Company may now own or hereafter acquire or be allocated in CoBank, the Company's obligations hereunder shall be unsecured.

**SECTION 9. Permitted Short-Term Indebtedness.** In addition to the negative covenants set forth in the MLA, while this Promissory Note and Supplement is in effect and unless CoBank otherwise consents in writing, Subsection 8(A) of the MLA, Negative Covenants – Other Indebtedness, shall be amended by amending and restating Subsection (5) thereof to read as follows: (5) unsecured debt of the Company to other lenders maturing within one year of the date created, provided that not more than \$10,000,000.00 of such debt is outstanding at any time and that the maximum amount of all such indebtedness that may be outstanding at any one time to such lenders and to CoBank may not exceed \$10,000,000.00.

**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**

**JACKSON PURCHASE ENERGY  
CORPORATION**

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

By: Gary Joines

Title: \_\_\_\_\_

Title: Chairman/Chair

**PROMISSORY NOTE AND  
SINGLE ADVANCE TERM LOAN SUPPLEMENT  
(RUS REFINANCE)**

**THIS PROMISSORY NOTE AND SUPPLEMENT** (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of January 3, 2012, (the "MLA") is entered into as of January 3, 2012 between JACKSON PURCHASE ENERGY CORPORATION, Paducah, Kentucky, a Kentucky corporation (the "Company") and CoBank, ACB, a federally chartered instrumentality of the United States ("CoBank").

**SECTION 1. The Term Loan.** 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 \$9,403,475.25 (the "Commitment"). The Commitment shall expire at 12:00 noon (Company's local time) on January 17, 2012, 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 to the Company by the Rural Utilities Service ("RUS") and identified on **Exhibit A** hereto (individually or collectively, the "Existing RUS 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 on a date to be agreed upon by the parties (the "Closing Date"). The loan will be made available in a single advance by CoBank wire transferring the proceeds of the loan to RUS.

**SECTION 4. Interest.** The Company agrees to pay interest on the unpaid balance of the loan(s) 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 4.50% per annum through the maturity date of September 20, 2034.

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 for periods expiring after the maturity date of the loans and 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. Fees. INTENTIONALLY OMITTED.**

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

**SECTION 7. Prepayment.** Subject to the broken funding surcharge provision of the MLA, the Company may prepay all or any portion of the loan(s). Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

**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.

**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) a copy of the Company's current, recorded mortgage with RUS, as amended and supplemented to the date hereof (the "RUS Mortgage"); (B) a copy of a payoff letter or spreadsheet from RUS setting forth, as of the Closing Date, the unpaid principal balance of the Existing RUS Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to RUS for or on account of the Existing RUS Loan(s); (C) a duly completed and executed copy of the Request for Loan; (D) such evidence as may be satisfactory to CoBank that the Company has provided to RUS and to any other mortgagee under the RUS Mortgage, the Notification of Refinancing (as required by Section 2.02 of the RUS Mortgage); and (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing RUS Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to RUS for or on account of the Existing RUS Loan(s).

**SECTION 10. Additional Affirmative Covenants.** In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to RUS are

Promissory Note and  
Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
JACKSON PURCHASE ENERGY CORPORATION  
Paducah, Kentucky

-3-

insufficient to discharge all of the Company's obligations to RUS for or on account of the Existing RUS Loan(s), the Company will promptly make such additional payments to RUS as may be required to discharge such obligations in full; and (B) on or before the date that is 120 days after the Closing Date, the Company will: (1) obtain all required signatures on a Supplemental or Restated Mortgage (the "Supplemental or Restated Mortgage") adding this Promissory Note and Supplement as a secured note under the RUS Mortgage; (2) perfect the first priority lien on and security interest in the property described in the RUS Mortgage as supplemented or restated by the Supplemental or Restated Mortgage and provide to CoBank satisfactory evidence that the Supplemental or Restated Mortgage has been duly recorded as a mortgage on all real property, and duly filed, recorded, or indexed as a security interest in all personal property wherever CoBank shall have requested, all in accordance with applicable law; (3) furnish to CoBank recorded file stamped copies of the Supplemental or Restated Mortgage along with proof that all required taxes and fees have been paid in connection with the Supplemental or Restated Mortgage; and (4) furnish to CoBank an updated opinion of counsel (which opinion of 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: \_\_\_\_\_

JACKSON PURCHASE ENERGY  
CORPORATION

By: Dary Dainer

Title: Chair / Chairman

Promissory Note and  
Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
JACKSON PURCHASE ENERGY CORPORATION  
Paducah, Kentucky

-4-

**EXHIBIT A**  
**To Supplement No. RIML0731T9**

**DESCRIPTION OF EXISTING RUS LOAN(S) TO BE REFINANCED**

The Existing RUS Loan(s) is/are as follows:

<b>LENDER</b>	<b>LOAN DESIGNATION</b>	<b>AMOUNT TO BE REFINANCED</b>
RUS	1B310	\$2,141,719.62
RUS	1B311	\$1,606,289.78
RUS	1B320	\$5,655,465.85

**EXHIBIT B**  
**To Supplement No. RIML0731T9**

**REPAYMENT SCHEDULE**

<b>Aggregate Amortization</b>			
<b>Payment Date</b>	<b>Beginning Balance</b>	<b>Principal Payment</b>	<b>Ending Balance</b>
<b>Initial Balance</b>	\$9,403,475.25		
1/20/2012	9,403,475.25	20,173.86	9,383,301.39
2/20/2012	9,383,301.39	22,830.29	9,360,471.10
3/20/2012	9,360,471.10	20,356.47	9,340,114.63
4/20/2012	9,340,114.63	21,722.39	9,318,392.24
5/20/2012	9,318,392.24	20,535.17	9,297,857.07
6/20/2012	9,297,857.07	21,896.04	9,275,961.03
7/20/2012	9,275,961.03	20,715.35	9,255,245.68
8/20/2012	9,255,245.68	20,803.33	9,234,442.35
9/20/2012	9,234,442.35	22,156.65	9,212,285.70
10/20/2012	9,212,285.70	20,985.76	9,191,299.94
11/20/2012	9,191,299.94	22,333.96	9,168,965.98
12/20/2012	9,168,965.98	21,169.72	9,147,796.26
1/20/2013	9,147,796.26	21,259.61	9,126,536.65
2/20/2013	9,126,536.65	25,100.52	9,101,436.13
3/20/2013	9,101,436.13	21,456.49	9,079,979.64
4/20/2013	9,079,979.64	22,791.44	9,057,188.20
5/20/2013	9,057,188.20	21,644.38	9,035,543.82
6/20/2013	9,035,543.82	22,974.04	9,012,569.78
7/20/2013	9,012,569.78	21,833.86	8,990,735.92
8/20/2013	8,990,735.92	21,926.59	8,968,809.33
9/20/2013	8,968,809.33	23,248.30	8,945,561.03
10/20/2013	8,945,561.03	22,118.43	8,923,442.60
11/20/2013	8,923,442.60	23,434.74	8,900,007.86
12/20/2013	8,900,007.86	22,311.87	8,877,695.99
1/20/2014	8,877,695.99	22,406.61	8,855,289.38
2/20/2014	8,855,289.38	26,140.92	8,829,148.46
3/20/2014	8,829,148.46	22,612.78	8,806,535.68
4/20/2014	8,806,535.68	23,915.19	8,782,620.49
5/20/2014	8,782,620.49	22,810.36	8,759,810.13
6/20/2014	8,759,810.13	24,107.20	8,735,702.93
7/20/2014	8,735,702.93	23,009.60	8,712,693.33
8/20/2014	8,712,693.33	23,107.31	8,689,586.02
9/20/2014	8,689,586.02	24,395.79	8,665,190.23

Promissory Note and  
 Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
 JACKSON PURCHASE ENERGY CORPORATION  
 Paducah, Kentucky

10/20/2014	8,665,190.23	23,309.04	8,641,881.19
11/20/2014	8,641,881.19	24,591.83	8,617,289.36
12/20/2014	8,617,289.36	23,512.46	8,593,776.90
1/20/2015	8,593,776.90	23,612.30	8,570,164.60
2/20/2015	8,570,164.60	27,234.56	8,542,930.04
3/20/2015	8,542,930.04	23,828.22	8,519,101.82
4/20/2015	8,519,101.82	25,096.41	8,494,005.41
5/20/2015	8,494,005.41	24,035.98	8,469,969.43
6/20/2015	8,469,969.43	25,298.33	8,444,671.10
7/20/2015	8,444,671.10	24,245.49	8,420,425.61
8/20/2015	8,420,425.61	24,348.45	8,396,077.16
9/20/2015	8,396,077.16	25,602.00	8,370,475.16
10/20/2015	8,370,475.16	24,560.57	8,345,914.59
11/20/2015	8,345,914.59	25,808.14	8,320,106.45
12/20/2015	8,320,106.45	24,774.46	8,295,331.99
1/20/2016	8,295,331.99	24,879.67	8,270,452.32
2/20/2016	8,270,452.32	27,251.20	8,243,201.12
3/20/2016	8,243,201.12	25,101.05	8,218,100.07
4/20/2016	8,218,100.07	26,333.41	8,191,766.66
5/20/2016	8,191,766.66	25,319.47	8,166,447.19
6/20/2016	8,166,447.19	26,545.67	8,139,901.52
7/20/2016	8,139,901.52	25,539.71	8,114,361.81
8/20/2016	8,114,361.81	25,648.17	8,088,713.64
9/20/2016	8,088,713.64	26,865.14	8,061,848.50
10/20/2016	8,061,848.50	25,871.17	8,035,977.33
11/20/2016	8,035,977.33	27,081.86	8,008,895.47
12/20/2016	8,008,895.47	26,096.04	7,982,799.43
1/20/2017	7,982,799.43	26,206.86	7,956,592.57
2/20/2017	7,956,592.57	29,587.99	7,927,004.58
3/20/2017	7,927,004.58	26,443.80	7,900,560.78
4/20/2017	7,900,560.78	27,638.36	7,872,922.42
5/20/2017	7,872,922.42	26,673.46	7,846,248.96
6/20/2017	7,846,248.96	27,861.55	7,818,387.41
7/20/2017	7,818,387.41	26,905.04	7,791,482.37
8/20/2017	7,791,482.37	27,019.31	7,764,463.06
9/20/2017	7,764,463.06	28,197.66	7,736,265.40
10/20/2017	7,736,265.40	27,253.79	7,709,011.61
11/20/2017	7,709,011.61	28,425.56	7,680,586.05
12/20/2017	7,680,586.05	27,490.24	7,653,095.81
1/20/2018	7,653,095.81	27,606.97	7,625,488.84
2/20/2018	7,625,488.84	30,857.96	7,594,630.88
3/20/2018	7,594,630.88	27,855.24	7,566,775.64

Promissory Note and  
 Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
 JACKSON PURCHASE ENERGY CORPORATION  
 Paducah, Kentucky

-7-

4/20/2018	7,566,775.64	29,010.08	7,537,765.56
5/20/2018	7,537,765.56	28,096.73	7,509,668.83
6/20/2018	7,509,668.83	29,244.77	7,480,424.06
7/20/2018	7,480,424.06	28,340.23	7,452,083.83
8/20/2018	7,452,083.83	28,460.58	7,423,623.25
9/20/2018	7,423,623.25	29,598.37	7,394,024.88
10/20/2018	7,394,024.88	28,707.13	7,365,317.75
11/20/2018	7,365,317.75	29,837.99	7,335,479.76
12/20/2018	7,335,479.76	28,955.75	7,306,524.01
1/20/2019	7,306,524.01	29,078.72	7,277,445.29
2/20/2019	7,277,445.29	32,192.93	7,245,252.36
3/20/2019	7,245,252.36	29,338.91	7,215,913.45
4/20/2019	7,215,913.45	30,451.98	7,185,461.47
5/20/2019	7,185,461.47	29,592.82	7,155,868.65
6/20/2019	7,155,868.65	30,698.74	7,125,169.91
7/20/2019	7,125,169.91	29,848.85	7,095,321.06
8/20/2019	7,095,321.06	29,975.60	7,065,345.46
9/20/2019	7,065,345.46	31,070.76	7,034,274.70
10/20/2019	7,034,274.70	30,234.84	7,004,039.86
11/20/2019	7,004,039.86	31,322.69	6,972,717.17
12/20/2019	6,972,717.17	30,496.25	6,942,220.92
1/20/2020	6,942,220.92	30,625.75	6,911,595.17
2/20/2020	6,911,595.17	32,649.39	6,878,945.78
3/20/2020	6,878,945.78	30,894.46	6,848,051.32
4/20/2020	6,848,051.32	31,963.74	6,816,087.58
5/20/2020	6,816,087.58	31,161.39	6,784,926.19
6/20/2020	6,784,926.19	32,223.15	6,752,703.04
7/20/2020	6,752,703.04	31,430.56	6,721,272.48
8/20/2020	6,721,272.48	31,564.03	6,689,708.45
9/20/2020	6,689,708.45	32,614.46	6,657,093.99
10/20/2020	6,657,093.99	31,836.56	6,625,257.43
11/20/2020	6,625,257.43	32,879.34	6,592,378.09
12/20/2020	6,592,378.09	32,111.39	6,560,266.70
1/20/2021	6,560,266.70	32,247.75	6,528,018.95
2/20/2021	6,528,018.95	35,067.45	6,492,951.50
3/20/2021	6,492,951.50	32,533.61	6,460,417.89
4/20/2021	6,460,417.89	33,556.76	6,426,861.13
5/20/2021	6,426,861.13	32,814.28	6,394,046.85
6/20/2021	6,394,046.85	33,829.52	6,360,217.33
7/20/2021	6,360,217.33	33,097.28	6,327,120.05
8/20/2021	6,327,120.05	33,237.82	6,293,882.23
9/20/2021	6,293,882.23	34,241.15	6,259,641.08

Promissory Note and  
 Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
 JACKSON PURCHASE ENERGY CORPORATION  
 Paducah, Kentucky

10/20/2021	6,259,641.08	33,524.38	6,226,116.70
11/20/2021	6,226,116.70	34,519.64	6,191,597.06
12/20/2021	6,191,597.06	33,813.34	6,157,783.72
1/20/2022	6,157,783.72	33,956.93	6,123,826.79
2/20/2022	6,123,826.79	36,617.77	6,087,209.02
3/20/2022	6,087,209.02	34,256.63	6,052,952.39
4/20/2022	6,052,952.39	35,231.27	6,017,721.12
5/20/2022	6,017,721.12	34,551.72	5,983,169.40
6/20/2022	5,983,169.40	35,518.05	5,947,651.35
7/20/2022	5,947,651.35	34,849.27	5,912,802.08
8/20/2022	5,912,802.08	34,997.25	5,877,804.83
9/20/2022	5,877,804.83	35,951.06	5,841,853.77
10/20/2022	5,841,853.77	35,298.55	5,806,555.22
11/20/2022	5,806,555.22	36,243.87	5,770,311.35
12/20/2022	5,770,311.35	35,602.37	5,734,708.98
1/20/2023	5,734,708.98	35,753.54	5,698,955.44
2/20/2023	5,698,955.44	38,247.41	5,660,708.03
3/20/2023	5,660,708.03	36,067.79	5,624,640.24
4/20/2023	5,624,640.24	36,991.47	5,587,648.77
5/20/2023	5,587,648.77	36,378.05	5,551,270.72
6/20/2023	5,551,270.72	37,292.98	5,513,977.74
7/20/2023	5,513,977.74	36,690.90	5,477,286.84
8/20/2023	5,477,286.84	36,846.70	5,440,440.14
9/20/2023	5,440,440.14	37,748.44	5,402,691.70
10/20/2023	5,402,691.70	37,163.48	5,365,528.22
11/20/2023	5,365,528.22	38,056.31	5,327,471.91
12/20/2023	5,327,471.91	37,482.91	5,289,989.00
1/20/2024	5,289,989.00	37,642.09	5,252,346.91
2/20/2024	5,252,346.91	39,240.93	5,213,105.98
3/20/2024	5,213,105.98	37,968.57	5,175,137.41
4/20/2024	5,175,137.41	38,838.74	5,136,298.67
5/20/2024	5,136,298.67	38,294.74	5,098,003.93
6/20/2024	5,098,003.93	39,155.72	5,058,848.21
7/20/2024	5,058,848.21	38,623.64	5,020,224.57
8/20/2024	5,020,224.57	38,787.65	4,981,436.92
9/20/2024	4,981,436.92	39,634.77	4,941,802.15
10/20/2024	4,941,802.15	39,120.69	4,902,681.46
11/20/2024	4,902,681.46	39,958.41	4,862,723.05
12/20/2024	4,862,723.05	39,456.50	4,823,266.55
1/20/2025	4,823,266.55	39,624.05	4,783,642.50
2/20/2025	4,783,642.50	41,758.20	4,741,884.30
3/20/2025	4,741,884.30	39,969.65	4,701,914.65

Promissory Note and  
Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
JACKSON PURCHASE ENERGY CORPORATION  
Paducah, Kentucky

4/20/2025	4,701,914.65	40,783.48	4,661,131.17
5/20/2025	4,661,131.17	40,312.57	4,620,818.60
6/20/2025	4,620,818.60	41,116.75	4,579,701.85
7/20/2025	4,579,701.85	40,658.38	4,539,043.47
8/20/2025	4,539,043.47	40,831.03	4,498,212.44
9/20/2025	4,498,212.44	41,620.61	4,456,591.83
10/20/2025	4,456,591.83	41,181.18	4,415,410.65
11/20/2025	4,415,410.65	41,960.90	4,373,449.75
12/20/2025	4,373,449.75	41,534.24	4,331,915.51
1/20/2026	4,331,915.51	41,710.61	4,290,204.90
2/20/2026	4,290,204.90	43,650.84	4,246,554.06
3/20/2026	4,246,554.06	42,073.11	4,204,480.95
4/20/2026	4,204,480.95	42,827.73	4,161,653.22
5/20/2026	4,161,653.22	42,433.65	4,119,219.57
6/20/2026	4,119,219.57	43,178.13	4,076,041.44
7/20/2026	4,076,041.44	42,797.20	4,033,244.24
8/20/2026	4,033,244.24	42,978.95	3,990,265.29
9/20/2026	3,990,265.29	43,708.07	3,946,557.22
10/20/2026	3,946,557.22	43,347.07	3,903,210.15
11/20/2026	3,903,210.15	44,065.83	3,859,144.32
12/20/2026	3,859,144.32	43,718.27	3,815,426.05
1/20/2027	3,815,426.05	43,903.92	3,771,522.13
2/20/2027	3,771,522.13	45,640.30	3,725,881.83
3/20/2027	3,725,881.83	44,284.18	3,681,597.65
4/20/2027	3,681,597.65	44,976.56	3,636,621.09
5/20/2027	3,636,621.09	44,663.23	3,591,957.86
6/20/2027	3,591,957.86	45,344.94	3,546,612.92
7/20/2027	3,546,612.92	45,045.47	3,501,567.45
8/20/2027	3,501,567.45	45,236.76	3,456,330.69
9/20/2027	3,456,330.69	45,902.32	3,410,428.37
10/20/2027	3,410,428.37	45,623.78	3,364,804.59
11/20/2027	3,364,804.59	46,278.46	3,318,526.13
12/20/2027	3,318,526.13	46,014.05	3,272,512.08
1/20/2028	3,272,512.08	46,209.45	3,226,302.63
2/20/2028	3,226,302.63	47,289.61	3,179,013.02
3/20/2028	3,179,013.02	46,606.50	3,132,406.52
4/20/2028	3,132,406.52	47,233.51	3,085,173.01
5/20/2028	3,085,173.01	47,005.01	3,038,168.00
6/20/2028	3,038,168.00	47,620.79	2,990,547.21
7/20/2028	2,990,547.21	47,406.83	2,943,140.38
8/20/2028	2,943,140.38	47,608.15	2,895,532.23
9/20/2028	2,895,532.23	48,206.97	2,847,325.26

Promissory Note and  
Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
JACKSON PURCHASE ENERGY CORPORATION  
Paducah, Kentucky

-10-

10/20/2028	2,847,325.26	48,015.04	2,799,310.22
11/20/2028	2,799,310.22	48,602.41	2,750,707.81
12/20/2028	2,750,707.81	48,425.34	2,702,282.47
1/20/2029	2,702,282.47	48,630.97	2,653,651.50
2/20/2029	2,653,651.50	49,928.03	2,603,723.47
3/20/2029	2,603,723.47	49,049.51	2,554,673.96
4/20/2029	2,554,673.96	49,607.76	2,505,066.20
5/20/2029	2,505,066.20	49,468.47	2,455,597.73
6/20/2029	2,455,597.73	50,014.92	2,405,582.81
7/20/2029	2,405,582.81	49,890.94	2,355,691.87
8/20/2029	2,355,691.87	50,102.80	2,305,589.07
9/20/2029	2,305,589.07	50,631.40	2,254,957.67
10/20/2029	2,254,957.67	50,530.56	2,204,427.11
11/20/2029	2,204,427.11	51,047.12	2,153,379.99
12/20/2029	2,153,379.99	50,961.93	2,102,418.06
1/20/2030	2,102,418.06	51,178.34	2,051,239.72
2/20/2030	2,051,239.72	52,238.65	1,999,001.07
3/20/2030	1,999,001.07	51,617.51	1,947,383.56
4/20/2030	1,947,383.56	52,103.48	1,895,280.08
5/20/2030	1,895,280.08	52,057.97	1,843,222.11
6/20/2030	1,843,222.11	52,531.53	1,790,690.58
7/20/2030	1,790,690.58	52,502.12	1,738,188.46
8/20/2030	1,738,188.46	52,725.07	1,685,463.39
9/20/2030	1,685,463.39	53,179.86	1,632,283.53
10/20/2030	1,632,283.53	53,174.81	1,579,108.72
11/20/2030	1,579,108.72	53,616.93	1,525,491.79
12/20/2030	1,525,491.79	53,628.31	1,471,863.48
1/20/2031	1,471,863.48	53,856.04	1,418,007.44
2/20/2031	1,418,007.44	54,667.49	1,363,339.95
3/20/2031	1,363,339.95	43,254.36	1,320,085.59
4/20/2031	1,320,085.59	29,348.41	1,290,737.18
5/20/2031	1,290,737.18	29,292.21	1,261,444.97
6/20/2031	1,261,444.97	29,589.40	1,231,855.57
7/20/2031	1,231,855.57	29,542.25	1,202,313.32
8/20/2031	1,202,313.32	29,667.71	1,172,645.61
9/20/2031	1,172,645.61	29,954.33	1,142,691.28
10/20/2031	1,142,691.28	29,920.90	1,112,770.38
11/20/2031	1,112,770.38	30,200.39	1,082,569.99
12/20/2031	1,082,569.99	30,176.20	1,052,393.79
1/20/2032	1,052,393.79	30,304.35	1,022,089.44
2/20/2032	1,022,089.44	30,713.06	991,376.38
3/20/2032	991,376.38	30,563.47	960,812.91

Promissory Note and  
 Single Advance Term Loan Supplement (RUS Refinance) RIML0731T9  
 JACKSON PURCHASE ENERGY CORPORATION  
 Paducah, Kentucky

-11-

4/20/2032	960,812.91	30,824.87	929,988.04
5/20/2032	929,988.04	30,824.16	899,163.88
6/20/2032	899,163.88	31,078.23	868,085.65
7/20/2032	868,085.65	31,087.03	836,998.62
8/20/2032	836,998.62	31,219.04	805,779.58
9/20/2032	805,779.58	31,462.00	774,317.58
10/20/2032	774,317.58	31,485.22	742,832.36
11/20/2032	742,832.36	31,720.68	711,111.68
12/20/2032	711,111.68	31,753.63	679,358.05
1/20/2033	679,358.05	31,888.47	647,469.58
2/20/2033	647,469.58	32,289.97	615,179.61
3/20/2033	615,179.61	32,161.01	583,018.60
4/20/2033	583,018.60	32,377.45	550,641.15
5/20/2033	550,641.15	32,435.08	518,206.07
6/20/2033	518,206.07	32,643.81	485,562.26
7/20/2033	485,562.26	32,711.44	452,850.82
8/20/2033	452,850.82	32,850.35	420,000.47
9/20/2033	420,000.47	33,047.39	386,953.08
10/20/2033	386,953.08	33,130.19	353,822.89
11/20/2033	353,822.89	33,319.35	320,503.54
12/20/2033	320,503.54	33,412.38	287,091.16
1/20/2034	287,091.16	33,554.27	253,536.89
2/20/2034	253,536.89	33,800.95	219,735.94
3/20/2034	219,735.94	33,840.29	185,895.65
4/20/2034	185,895.65	34,009.47	151,886.18
5/20/2034	151,886.18	34,128.42	117,757.76
6/20/2034	117,757.76	34,289.48	83,468.28
7/20/2034	83,468.28	34,418.97	49,049.31
8/20/2034	49,049.31	34,565.13	14,484.18
9/20/2034	14,484.18	14,484.18	0.00

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

**PAYOFF STATEMENT**

BORROWER: Jackson Purchase Energy Corporation  
P O 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: 21-020

The following amount is required to payoff your long-term obligation for the following Rural Utilities Service (RUS) loans as of January 13, 2012

Loan Program: RET - ELECTRIC	Principal	\$	9,403,475.24
	Interest Due	\$	16,697.41
	<b>RET TOTAL DUE</b>	<b>\$</b>	<b>9,420,172.65</b>

**PAYOFF AMOUNT DUE \$ 9,420,172.65**

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).

JAMES E. JORDAN, JR.  
RUS TEAM LEADER, DIRECT LOAN & GRANT BRANCH  
RURAL DEVELOPMENT  
314-457-4045

Submitted: 1/5/2012 14:53

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

restmort.v1h 12/3/98 v5.74 w/ UCC-1 revisions

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 ("DSCR")** 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 deceased 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 Mortgage which approval will not be unreasonably withheld.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Section 1.04. Governing Law:**

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

**Section 1.05 Notices:**

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

**ARTICLE II**

**ADDITIONAL NOTES**

**Section 2.01. Additional Notes:**

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

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

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

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

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

**Section 2.03. Other Additional Notes:**

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

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

Without the prior consent of any Mortgagee or any 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 judgement 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 thereof, 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 E. Ellett  
Secretary

Executed by the Mortgagor  
in the presence of:

Spencer White  
Carl S. Colburn  
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:

*Bryan Russell*

Bryan Russell

Assistant Secretary-Treasurer

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 *Gray 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 *27<sup>th</sup>* day of *September*, 20*07*.

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

(Notarial Seal)

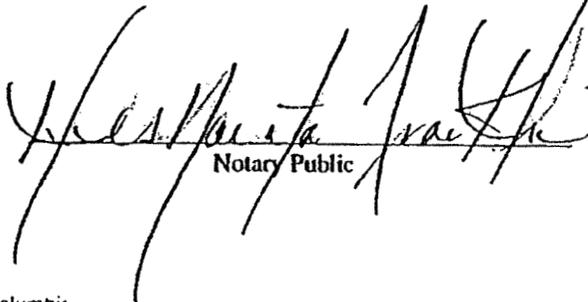
My Commission expires: *5/4/2010*

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 of 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 7<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.

  
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 Face, 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**

<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

**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>Face</u>	<u>Date</u>	<u>Final</u>	<u>Rate</u>
<u>Designation</u>	<u>Amount</u>		<u>Maturity</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

## **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. 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;

- (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.

**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 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.

# 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



UNITED STATES OF AMERICA

By: *Jonathan Adelstein*  
Administrator of the Rural Utilities Service

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

**Jane V. Wright**

*Jane V. Wright*

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.

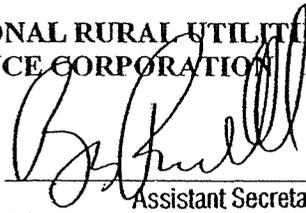
IN TESTIMONY WHEREOF I have heretofore set my hand and official seal the day and year last above written.

*William A. Frost*  
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:  
Its:



Bryan Russell  
Assistant Secretary Treasurer

(Seal)

Kerry Rollins

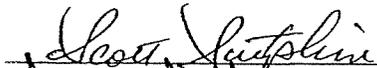
Attest:



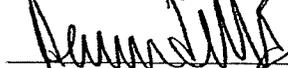
Assistant Secretary-Treasurer

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

Scott Sutphin



Aamer Arshad



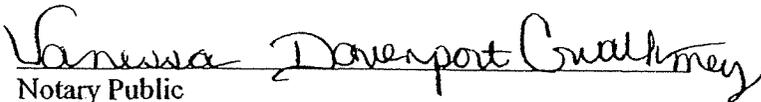
Witnesses

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.

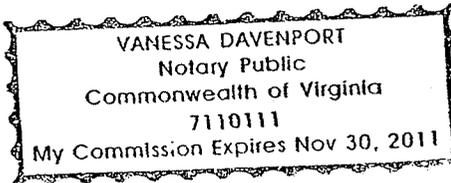
Given under my hand this 31 day of August, 2010.

(Notarial Seal)

  
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</u> <sup>2</sup>
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 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.

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. Bk. 1272 page 1

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

JEFF JERRELL, CLERK

By Julie Dragg D.C.

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 AT 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 #: ADDL INFO RE ORGANIZATION DEBTOR, 1e. TYPE OF ORGANIZATION: Corporation, 1f. JURISDICTION OF ORGANIZATION: Kentucky, 1g. ORGANIZATIONAL ID #: 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 #: ADDL INFO RE ORGANIZATION DEBTOR, 2e. TYPE OF ORGANIZATION, 2f. JURISDICTION OF ORGANIZATION, 2g. ORGANIZATIONAL ID #: NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/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, SALESPERSON, SGL EMPLOYER, AG. LIEN, NON-UCFILING
6. This FINANCING STATEMENT is to be filed for record (or recorded) at the REAL ESTATE RECORDS. Attach Address(es)
7. Check to REQUEST SEARCH REPORT(s) on Debtor(s) (ADDITIONAL FEE)
8. All Debtors, Debtor 1, Debtor 2

9. OPTIONAL FILER REFERENCE DATA
Kentucky 20-AP44 McCracken

**UCC FINANCING STATEMENT ADDENDUM**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (11a or 11b) ON RELATED FINANCING STATEMENT

11a. ORGANIZATION'S NAME Jackson Purchase Energy Corporation			
OR	11b. 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.  ADDITIONAL SECURED PARTYS or  ASSIGNOR S/P'S NAME - Insert only one name (12a or 12b)  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  debtor to be out of  all-abstract collateral, or is filed as a  future filing.

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

10. Additional collateral description:

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

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

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 n. 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  items to be cut or  es-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.

18. Additional collateral description:

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

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).

Debtor: 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 Purchasing 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. 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;

Debtor: Jackson Purchaser 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 Agency 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 Purchasing 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.

**REQUEST FOR LOAN**

**TO:** CoBANK, ACB  
Attention: Closing

**FROM:** JACKSON PURCHASE ENERGY CORPORATION

**DATE:** January 13, 2012

**SUBJECT:** REQUEST FOR LOAN

Reference is hereby made to the Promissory Note and Single Advance Term Loan Supplement(s) (RUS Refinance) dated as of January 3, 2012, and numbered RIML0731T9 (individually or collectively, the "Note and Supplement(s)") between JACKSON PURCHASE ENERGY CORPORATION (the "Company") and CoBANK, ACB ("CoBank"). All capitalized terms used herein and not defined herein shall have the meanings given to them in the Note and Supplement(s).

Pursuant to Section 9 of the Note and Supplement(s), the undersigned, a duly authorized officer of the Company, on behalf of the Company, hereby requests that CoBank make the following loan or loans (individually or collectively, the "Loan(s)") to the Company on January 11, 2012:

CoBank Loan Number(s)	Amount
RIML0731T9	\$9,403,475.25

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 all interest accrued on the Existing RUS Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to RUS for or on account of the Existing RUS Loan(s) (collectively, the "Additional RUS Payment").

authorizes CoBank to make a draw in the amount of \$16,697,40 under that certain Amended and Restated Promissory Note and Committed Revolving Credit Supplement No. RIML0731S1B dated as of January 3, 2012 (the "Revolving Credit Supplement") to pay the Additional RUS Payment. The draw shall create a loan under the Revolving Credit Supplement and bear interest at the variable rate option provided for in the Interest section of the Revolving Credit Supplement.

Please wire transfer the proceeds of the Loan(s), together with the Additional RUS Payment, directly to RUS. 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 Loan(s), I hereby certify as follows: (1) upon receipt by RUS of the amount shown above, all of the Company's obligations to RUS for and on account of the Existing RUS Loan(s) will be paid in full; (2) no "Event of Default" (as defined in the MLA or the RUS Mortgage) 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 MLA or the RUS Mortgage) has occurred and is continuing; (3) each of the representations and warranties set forth in the MLA and the Note and Supplement(s) are true and correct as of the date hereof; and (4) the Company has satisfied all conditions precedent set forth in the Note and Supplement(s) and the MLA to CoBank's obligation to make the Loan(s).

**JACKSON PURCHASE ENERGY CORPORATION**

By: Gary L. Joiner  
Name: Gary L. Joiner  
Title: Chair / Chairman

(Must be signed by an authorized officer  
designated in the Company's borrowing resolutions)

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

January 13, 2012

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

VIA FACSIMILE TO (703) 467-8943  
National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, Virginia 20166-6691  
Attention: Michelle McGhee

Pursuant to Section 2.02 of your RUS Restated Mortgage and Security Agreement (the "Mortgage"), please take notice that **JACKSON PURCHASE ENERGY CORPORATION** (the "Company") intends to refinance the loan or loans identified on **Exhibit A** hereto. Such loan or loans (hereinafter, the "loan(s)") were made by the Rural Utilities Service ("RUS") and are secured by the Mortgage. The refinancing loan(s) are being provided by CoBank, ACB ("CoBank") and will be secured under the Mortgage as Additional Notes.

On behalf of the Company and pursuant to the RUS loan contract, 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 an Event of Default, has occurred and is continuing; (2) the amount of the refinancing loan(s), together with any additional payments to RUS from the Company, will be the same as the unpaid principal balance of the loan(s) being refinanced; and (3) the weighted average life of the refinancing loan(s) is not greater than the weighted average life of the loan(s) being refinanced. If you would like a certificate calculating the weighted average lives, please let me know.

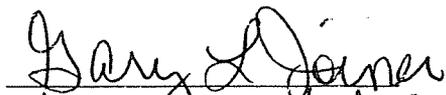
CoBank will prepare and circulate for execution a Supplemental Mortgage required to add the refinancing loan(s) as secured loans under the Mortgage. We will contact you to obtain and verify your note information for the exhibit to the Supplemental Mortgage.

Thank you in advance for your cooperation.

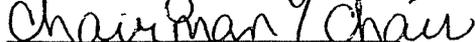
Sincerely,

JACKSON PURCHASE ENERGY CORPORATION

By:



Its:



**EXHIBIT A**

**DESCRIPTION OF EXISTING RUS LOAN(S) TO BE REFINANCED**

<b>LOAN DESIGNATION</b>	<b>AMOUNT TO BE REFINANCED</b>
1B310	\$2,141,719.62
1B311	\$1,606,289.78
1B320	\$5,655,465.85

CoBANK, ACB

APPLICATION FOR CREDIT  
(Utility Borrowers)

Date: January 12, 2012

- 1. NAME of Applicant: JACKSON PURCHASE ENERGY CORPORATION
- 2. MAILING ADDRESS P.O. Box 4030, Paducah, Kentucky 42002-4030
- STREET ADDRESS (if different): 2900 Irvin Cobb Drive, Paducah, Kentucky 42003
- 3. Federal TAX ID Number: 61-0236522

4. 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 6):

<input type="checkbox"/>	Line of credit in the amount of	\$
<input checked="" type="checkbox"/>	New term loan in the amount of	\$9,403,475.25
<input type="checkbox"/>	Other (specify type and amount) Type _____	\$

5. PURPOSE of credit applied for: To refinance the unpaid principal balance of the loan(s) made to the Company by the Rural Utilities Service.

6. To induce CoBank to extend the credit applied for, the applicant represents and warrants that:

- (A) To its knowledge and 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.

- (B) AMENDMENTS TO BYLAWS OR OPERATING AGREEMENT. There have been no amendments to the applicant's Bylaws or Operating Agreement since last submitted to CoBank, except as shown on the copy, certified true and correct by the applicant's corporate secretary or manager, attached hereto. PLEASE CHECK HERE IF ANY BYLAWS OR OPERATING AGREEMENT AMENDMENTS ARE ATTACHED [ ].

AMENDMENTS TO ARTICLES OF INCORPORATION OR FORMATION. Please be advised that CoBank will order on behalf of the Applicant a certified copy of any amendments made to the Applicant's articles of incorporation or articles of organization since last submitted to CoBank and a certificate of good standing or similar type of certification from the Secretary of State for the state of incorporation or formation.

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

JACKSON PURCHASE ENERGY CORPORATION

(Name of Applicant)

By: Gary L Jones  
(Authorized Signature)

Its: Chairman / Chair  
(Title)

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

**WHEREAS**, the above named Company (the "Company"), 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 Chair, Vice Chair, Secretary/Treasurer, and President/CEO ("Officers") of the Company are jointly and severally authorized and empowered to obtain for and on behalf of the Company 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 not exceeding the principal sum of **NINETEEN MILLION FOUR HUNDRED THREE THOUSAND FOUR HUNDRED SEVENTY-FIVE AND 25/100 DOLLARS (\$19,403,475.25)** at any one time outstanding, exclusive of amounts authorized to be borrowed under other resolutions submitted to CoBank and which have not been revoked; 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 Company 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 Company to such other terms and conditions as the Officers so acting shall deem proper; (4) to obligate the Company 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 Company 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 Company 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 Company, and such other agreements, addenda, documents or instruments as may be required by CoBank in the event that the Company 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 Company 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 Company the authority to direct, by written or telephonic instructions or electronically, if the Company has agreed to use the System for such purpose, the disposition of the proceeds of any Loan authorized herein or any property of the Company at any time held by CoBank; and (12) to delegate to designated employees of the Company the authority to request by telephonic or written means or electronically, if the Company 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 Company has agreed to use the System for such purposes, the disposition of the proceeds therein; (4) delegate to designated employees of the Company 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 Company to accomplish the purposes of these Resolutions are hereby approved and ratified.

**RESOLVED FURTHER**, That any Officer of the Company is hereby authorized and directed to cast the ballot of the Company in any and all proceedings in which the Company 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 Resolution dated July 8, 2010 is hereby revoked to the extent that the borrowings contemplated by the Resolution were not consummated between Company and CoBank prior to the effective date of revocation. No such revocation shall affect the validity of any action or actions made or taken in reliance on such Resolution prior to the effective date of revocation.

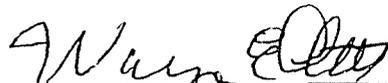
**RESOLVED FURTHER**, That the Secretary of the Company is hereby authorized and directed to certify to CoBank a copy of these Resolutions, the names and specimen signatures of the present Officers above referred to, and if and when any change is made in the personnel of any said Officers, the fact of 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, the Secretary of the Company, hereby certifies that the Board of Directors, at a meeting duly called, noticed, convened and held on the 12th day of January, 2012, 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 12th day of January, 2012.

By:



Wayne Elliott

Title:

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.**

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

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

COPY

Dated this 8th day of July, 2010.

*Wayne E. Elliott*  
Wayne Elliott, Secretary

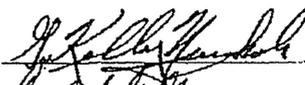
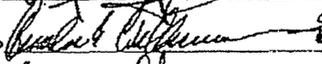
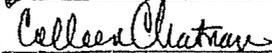
Annual Meeting Month: June

Change of address?  Yes  No

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

  
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	)	CASE NO.
AUTHORIZATION TO REFINANCE FROM	)	2011-00466
COBANK AND EXECUTE NECESSARY	)	
NOTES	)	

O R D E R

On November 30, 2011, Jackson Purchase Energy Corporation ("JPEC") submitted its application for authority to execute notes to CoBank, ACB ("CoBank") in the amount of \$9,403,475.<sup>1</sup> By letter dated December 6, 2011, the Commission notified JPEC that the application was rejected as deficient because it did not include the information necessary to satisfy the filing requirements of 807 KAR 5:001, Section 6(6).

On December 12, 2011, in response to the Commission's filing deficiency letter, JPEC filed the information cited in the December 6, 2011 letter. The Commission accepted the information and considered the application filed as of December 12, 2011.

JPEC intends to use the proceeds from the CoBank loan to refinance and discharge part of its indebtedness to the Rural Utilities Service ("RUS"). Due to the lower interest rate offered by CoBank, JPEC projects a lifetime cash flow savings of approximately \$1,686,899.<sup>2</sup>

---

<sup>1</sup> Application at paragraph 6.

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

As of October 31, 2011, JPEC's outstanding balance of RUS debt was \$30,656,330.<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 has outstanding long-term debt with National Rural Utilities Cooperative Finance Corporation ("CFC") in the amount of \$588,791 with an effective interest rate 5.375 percent.<sup>4</sup> JPEC also has outstanding debt with Federal Financing Bank of \$22,691,291 with interest rates varying from 2.071 percent to 5.283 percent.<sup>5</sup> Finally, JPEC has outstanding long-term debt with CoBank in the amount of \$12,351,747 with interest rates varying from 3.87 percent (variable) to 4.9 percent.<sup>6</sup>

JPEC proposes to refinance three 5 percent RUS notes with CoBank, which have a total principal balance of \$9,403,475. The refinancing of the RUS secured debt is permitted by RUS under Article II, Section 2.02, of the RUS Mortgage.<sup>7</sup> CoBank's offer to refinance the three RUS notes at a fixed interest rate of 4.5 percent expires January 15, 2012.<sup>8</sup> To facilitate closing the new loan by that date, JPEC has requested

---

<sup>3</sup> Application, Exhibit 3, page 1.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Application, Exhibit 1, page 2.

<sup>8</sup> See Informal Conference Memorandum, December 22, 2011.

the Commission approve and rule on its petition for refinancing on or before January 6, 2012.<sup>9</sup>

JPEC proposes to execute one note in conjunction with the borrowing from CoBank at a fixed interest rate of 4.50 percent. The new CoBank note will be amortized over a period of 22.76 years and the principal repayment schedule will match the consolidated principal payments of the refinanced RUS notes. This will decrease JPEC's administration while, at the same time, not increase principal debt service.<sup>10</sup>

JPEC provided a cash flow analysis based on the \$9,403,475 amount that indicates it could save \$1,686,899. The net present value of the cash flow savings was provided as part of the analysis prepared by CoBank for JPEC. CoBank determined that the savings from refinancing would result in a positive net present value cash flow of \$999,570.<sup>11</sup>

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

---

<sup>9</sup> Id. Because it has fixed the amount for the CoBank loan, JPEC expects the actual payoff to be very close to \$9,403,475. In the event the actual payoff of the RUS loans is different, JPEC proposes to pay any amount over the proposed amount from internally generated funds

<sup>10</sup> Application, Exhibit 1, page 2.

<sup>11</sup> Id.

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 Commission with the exact amount of the new CoBank loan within 10 days of finalizing the transaction. In addition, JPEC should provide an updated version of Exhibit 1, Tab 2, pages 2 through 6, of its application, reflecting the cash flow and the net present value analyses of the cash flow for the new CoBank loan.

In recognition of the volatility of interest rates and the potential impact that changes in the interest rates could have on the benefits of the CoBank refinancing program, the Commission has expedited the processing of JPEC's application. We note that JPEC assisted this processing by providing the cash flow and net present value analysis with its application.

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

1. The loan from CoBank is for lawful objects within the corporate purposes of JPEC, is 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, is reasonable, necessary, and appropriate for such purposes, and should be approved.
2. JPEC should execute its note as security for the proposed loan in the manner described in its application.
3. Within 10 days of finalizing the refinancing transaction, JPEC should notify the Commission in writing of the exact amount of the new CoBank loan. JPEC should include with the notice an updated version of Exhibit 1, Tab 2, pages 2 through 6, of its application, reflecting the savings based on the actual amount of the new CoBank loan.

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

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

6. The terms and conditions of the new CoBank loan 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 \$9,403,475, but no more than the total RUS payoff, from CoBank. 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 finding paragraphs 3 through 6 as if they were individually so ordered.

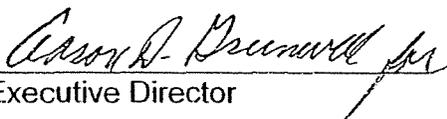
4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 herein shall reference this case number and shall be retained in the utility's general correspondence file.

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

ENTERED 9A  
DEC 28 2011  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2011-00466

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

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

144005

**January 12, 2012**

**CoBank, ACB  
Attn: Electric Distribution Banking Group  
5500 South Quebec Street  
Greenwood Village, CO 80111**

Re: \$19,403,475.25 Loan(s) (RUS Refinance) 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, 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 (collectively, the "Loan Documents"):

1. Amended and Restated Master Loan Agreement No. RIML0731A, dated as of January 3, 2012;
2. Amended and Restated Promissory Note and Committed Revolving Credit Supplement No. RIML0731S1B, dated as of January 3, 2012, in the original principal amount of \$10,000,000.00 (the "Revolving Credit");
3. Promissory Note and Single Advance Term Loan Supplement (RUS Refinance) No. RIML0731T9, dated as of January 3, 2012, in the original principal amount of \$9,403,475.25 (the "Term Loan");
4. Notification of Refinancing, dated as of January 13, 2012;
5. Request for Loan, dated as of January 13, 2012;

6. Resolution of the Board of Directors dated January 12, 2012 authorizing the Loan Documents; and
7. Incumbency Certificate dated July 8, 2010.

## II. Scope of Opinion/Examination of Documents

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

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

- A. Originals or copies identified to our satisfaction of each of the Loan Documents as executed and delivered;
- 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 State of Kentucky as to the incorporation and existence of the Borrower in the State of Kentucky;
- E. A certificate of the Borrower, dated as of even date herewith, a copy of which is attached hereto as **Exhibit A** (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, a copy of which is attached hereto as **Exhibit B** (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 those which are identified in the Litigation Certificate;

H. Intentionally Omitted;

I. Intentionally Omitted; 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. None of the individual attorneys in the Firm who has represented the Borrower in connection with the execution and delivery of the Loan Documents or who regularly represents the Borrower is 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 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 State 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 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 Term Loan and Revolving Credit, and (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.
- F. Intentionally Omitted.
  - G. Intentionally Omitted.
  - H. Intentionally Omitted.
  - 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 identified in the Litigation Certificate attached hereto as **Exhibit B**.

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 State 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 State 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

Denton & Keuler, LLP



**EXHIBIT A**

**COBANK, ACB REFINANCE**

**LOAN & OTHER MATERIAL AGREEMENTS CERTIFICATE**

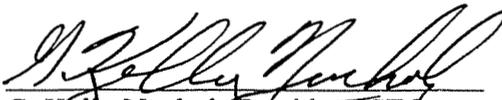
This Certificate is given by G. Kelly Nuckols President/CEO of JACKSON PURCHASE ENERGY CORPORTION (the "Borrower") for the purpose of inducing DENTON & KEULER, LP, to render legal opinions in connection with the execution and delivery of the following loan documents:

- A. Amended and Restated Promissory Note and Committed Revolving Credit Supplement No. RIML0731S1B, dated as of January 3, 2012, in the original principal amount of \$10,000,000.00 (the "Revolving Credit");
- B. Promissory Note and Single Advance Term Loan Supplement (RUS Refinance) No. RIML0731T9, dated as of January 3, 2012, in the original principal amount of \$9,403,475.25 (the "Term Loan"), (the Revolving Credit and the Term Loan shall collectively be called, the "New CoBank Notes"); and
- C Amended and Restated Master Loan Agreement No. RIML0731A, dated as of January 3, 2012 (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 January 12, 2012.

  
G. Kelly Nuckols President/CEO  
JACKSON PURCHASE ENERGY  
CORPORATION

**EXHIBIT A-1**  
**to**  
**Loan & Other Material Agreements Certificate**  
**(Loan Agreements - See Attachment)**

**LONG-TERM DEBT SCHEDULE**  
**JACKSON PURCHASE ENERGY CORPORATION**  
**10/31/2011**

Note Description	Interest Rate	Date of Draw	Original Balance	Current Balance	Interest Expensed YTD 2010
<b>RUS/Treasury Notes:</b>					
1B260	5.00%	8/25/1982	927,500	0	9,626
1B262	5.00%	8/25/1982	927,500	0	9,626
1B270/1B273	5.00%	9/20/1984	3,184,000	0	40,718
1B280	5.00%	6/22/1988	1,483,000	0	24,542
1B281/1B283	5.00%	6/22/1988	1,484,000	0	25,245
1B290/1B292	5.00%	8/20/1991	2,892,000	0	55,227
1B300/1B305	5.00%	9/3/1993	4,483,000	0	92,416
1B310/1B311	5.00%	1/25/1996	4,900,000	3,767,238	195,983
1B320	5.00%	2/4/2000	6,726,000	5,677,618	292,668
1B330	5.53%	7/24/2001	4,500,000	3,980,339	225,685
1B331	2.91%	6/3/2003	332,000	273,526	8,264
1B332	2.91%	6/3/2003	3,000,000	2,477,629	74,856
IA340	4.55%	8/11/2008	2,833,000	2,717,525	126,330
IA350	4.55%	8/11/2008	2,167,000	2,104,031	97,716
1A351	3.68%	2/20/2009	10,000,000	9,658,424	364,114
<b>FFB Notes:</b>					
H0010 (FFB)	2.071%	6/3/2003	2,668,000	1,990,738	43,560
H0015 (FFB)	4.422%	6/17/2004	2,250,000	1,732,143	80,931
H0020 (FFB)	5.283%	6/17/2004	2,250,000	1,732,143	96,690
H0025 (FFB)	4.534%	9/29/2005	5,500,000	4,409,091	211,225
H0030 (FFB)	4.913%	3/7/2006	5,922,000	4,827,176	250,581
F0035 (FFB)	4.264%	3/7/2011	4,000,000	4,000,000	0
F0040 (FFB)	4.157%	3/8/2011	4,000,000	4,000,000	0
<b>CoBank Notes:</b>					
ML0731T2	3.87% (Variable)	02/24/94	\$1,921,000	1,440,064	53,218
ML0731T3	3.87% (Variable)	08/27/91	1,240,000	973,350	35,876
ML0731T5	3.87% (Variable)	06/15/88	1,271,000	896,926	33,571
ML0731T6	4.78%	09/02/03	4,158,599	450,089	40,562
RX0731T7	4.69%	07/19/10	5,921,753	5,399,054	125,867
RX0731T8	4.90%	07/19/10	3,344,239	3,192,264	74,905
<b>CFC Notes:</b>					
9001 (CFC)	5.375% (Effective)	08/31/84	1,364,160	588,791	32,673
<b>Sub-total</b>			95,649,751	66,288,159	2,722,675
<b>Cushion of Credit:</b>	5.00%		n/a	(5,637,918)	(262,171)
<b>Net Long Term Debt</b>			95,649,751	60,650,241	2,460,504
<b>CFC Line of Credit</b>					0
<b>CoBank Line of Credit</b>					106,430

**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.

## EXHIBIT B

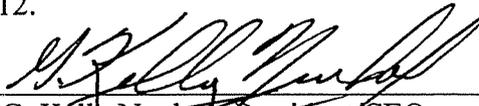
### COBANK, ACB REFINANCE LITIGATION CERTIFICATE

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:

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 January 12, 2012.

  
G. Kelly Nuckols President/CEO  
JACKSON PURCHASE ENERGY  
CORPORATION

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

A claim has been filed against JPEC by the Estate of Andrew Reichwein, Mr. Reichwein's widow, Deena Reichwein, and on behalf of his daughter, Alexis Tuscany Reichwein, alleging negligence for fatal injuries sustained by Mr. Reichwein while working on JPEC's system after the unprecedented ice storm of 2009. Mr. Reichwein was part of a crew of three Connexus' employees who had come to assist with efforts to get the JPEC system repaired. Also present were JPEC employees, Jimmy Johnson and Jack Waldrige. The crew's objective was to repair primary and secondary conductors located near 2040 Clarkline Road. During this process, the transformer on the utility pole fell to the ground landing on top of Mr. Reichwein, causing life ending injuries. At this time, suit has been filed in McCracken Circuit Court. JPEC is vigorously defending this case and denies any negligence or wrongdoing of any sort. This case is presently being handled by lead counsel, Park Priest, of English, Lucas, Priest and Owlsley with Melissa D. Yates of Denton and Keuler serving as co-counsel. The McCracken Circuit Court granted summary judgment in the case on July 8, 2011. At this time, the matter is currently in front of the Kentucky Court of Appeals. The Court has established a briefing schedule and JPEC's brief is due March 2, 2012. It is unknown when the Court of Appeals may issue a decision in this matter. If the decision of the McCracken Circuit Court is upheld, then all Plaintiff's claims against JPEC will be deemed dismissed with prejudice. In the event the Court of Appeals reverses the decision of the McCracken Circuit Court and a jury finds against JPEC in this matter, damages, excepting punitive damages, will likely be covered by the Federated Insurance policy.

There is also a potential claim pertaining to an incident involving a Mr. Tommy Coon and Mr. Eddy Hook. On April 25, 2011, Mr. Coon and Mr. Hook were in a boat in flooded waters in Gilbertsville, Kentucky. They were using flooded JPEC right-of-way in lieu of a flooded road (Brown's Camp Road, CR 1061) to access a campground on the banks of the Tennessee River approximately two miles downstream from the Kentucky Dam. Their boat was traveling parallel to a JPEC single phase line and hit brush under the water. While attempting to free their boat from the brush, Mr. Hook made contact with the primary wire. Mr. Coon, while attempting to get Mr. Hook free from the wire, felt an electrical shock. They returned to KY 282 where someone called an ambulance. The full extent of Mr. Hook's injuries are unknown. However, it is known that he apparently lost one hand as a result of the injuries suffered. To my knowledge, Mr. Coon did not receive any physical injuries. At this time, to my knowledge, no suit has been filed in this matter. JPEC's insurer, Federated Insurance, has been notified of the claim and it is believed that Federated will provide a defense of the same. If and when suit is brought against JPEC, JPEC will vigorously defend this matter. Finally, it believed that any damages which could be assessed against JPEC in any litigation involving this incident, would also be covered by the Federated Insurance policy.

## 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 Farm Credit Act of 1971, as amended, and the Capital Plan require 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, future capitalization requirements will generally be made through retained patronage earnings with no additional out-of-pocket equity purchases beyond the initial investment currently expected. Equity of owners whose current investment is above target level will be available for retirement as determined by the board of directors 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 or decrease 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 OR REGULATION 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.