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JAMES T. WHITLOW  
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April 2, 2019

MS. GWEN R. PINSON  
EXECUTIVE DIRECTOR  
PUBLIC SERVICE COMMISSION  
PO BOX 615  
FRANKFORT KY 40602

RE: CASE NO. 2018-00424 APPLICATION OF NOLIN RECC FOR APPROVAL OF A  
LOAN FROM NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION  
NOT TO EXCEED \$25,000,000.00.

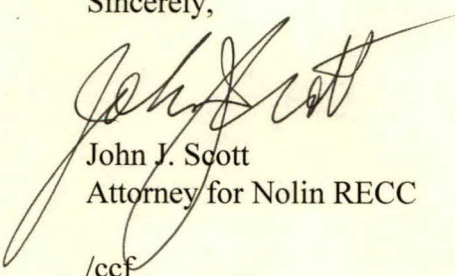
Dear Ms. Pinson:

In accordance with the directive set forth in the Commission's Order of February 28, 2019,  
please be advised that Nolin RECC closed its loan with CFC and the amount and terms of the  
loan are as follows:

Nolin RECC executed two promissory notes to CFC – one for \$10,000,000.00 and one  
for \$15,000,000.00. Both notes have a forty year term and incur interest at the rate in  
effect at the time draws are made on the notes by Nolin RECC.

Copies of all of the loan documents are filed here with.

Sincerely,



John J. Scott  
Attorney for Nolin RECC

/ccf

Enclosures

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COMMISSION

NRUCFC  
Attn: Legal Assistant  
20701 Cooperative Way  
Dulles, VA 20166

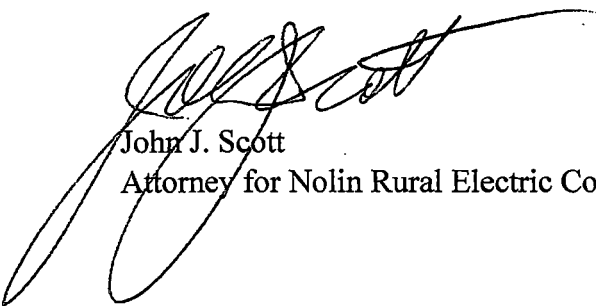
RE: Nolin Rural Electric Cooperative Corporation Loan designated KY OSI-V-9038 & V-9039

Dear Legal Assistant,

Please find enclosed the following in regard to the loan from CFC to Nolin RECC:

- Certified or true copy of Commission approval
- Both Counterparts of the CFC loan agreement
- The original secured promissory notes
- Original opinion of counsel including Litigation Certificate
- The original certificate of resolutions and incumbency
- First Amendment to Loan Agreement

Very truly yours,



John J. Scott  
Attorney for Nolin Rural Electric Cooperative Corporation



I, John J. Scott, hereby certify that this is a true copy of the Order from the Kentucky Public Service Commission approving the loan from CFC to Nolin Rural Electric Cooperative Corporation.



---

John J. Scott  
Attorney for Nolin Rural  
Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN R.E.C.C. FOR AN	)	
ORDER PURSUANT TO KRS 278.300 AND 807	)	
KAR 5:001, SECTION 11 AND RELATED	)	CASE NO.
SECTIONS AUTHORIZING THE COOPERATIVE	)	2018-00424
TO OBTAIN A LOAN NOT TO EXCEED THE	)	
AMOUNT OF \$25,000,000.00 FROM THE	)	
NATIONAL RURAL UTILITIES COOPERATIVE	)	
FINANCE CORPORATION	)	

ORDER

On December 21, 2018, Nolin Rural Electric Cooperative Corporation (Nolin RECC) filed an application for authority to execute notes to National Rural Utilities Cooperatives Finance Corporation (CFC) for \$25,000,000.<sup>1</sup> Commission Staff notified Nolin RECC that its application contained two deficiencies. On January 7, 2019, Nolin RECC filed an amended application that cured the deficiencies, and the application was deemed filed.

Nolin RECC has applied for a \$25,000,000 loan from CFC, which has been conditionally approved if it is executed by February 28, 2019.<sup>2</sup> The loan will consist of two promissory notes, one for \$10,000,000 and one for \$15,000,000 with both notes having a 40-year maturity date. Each loan will have a five-year draw period for advances and can have an amortization period of up to 35 years, thus the 40-year term.<sup>3</sup> The notes

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<sup>1</sup> Application, paragraph 5.

<sup>2</sup> Id. Exhibit 4.

<sup>3</sup> Staff's First request for Information Item 2.

will be secured by a first mortgage on all real estate owned by Nolin RECC, as well as a Uniform Commercial Code filing statement.<sup>4</sup> The proceeds of the loans are to finance the 2018–2022 Construction Work Plan (Construction Plan).<sup>5</sup> Nolin RECC submitted its 2018–2022 Construction Plan to the Commission for a Staff Opinion as to whether any projects require a Certificate of Public Convenience and Necessity (CPCN), or in the alternative that the projects meet the criteria for the normal course of business.<sup>6</sup> The Staff Opinion concluded that all projects contained in the 2018–2022 Construction Plan satisfied the ordinary course of business exemption from the CPCN requirement.<sup>7</sup>

The Construction Plan totals approximately \$21.9 million; however, Nolin RECC explained that when it began the pre-approval process with CFC the Construction Plan was approximately \$25 million. Through the Board’s approval process, the final Construction Plan was approved for \$21.9 million. Although the pre-approved amount to be loaned from CFC is greater than the approved Construction Plan, Nolin RECC intends to only borrow an amount to satisfy the Construction Plan, and CFC will not advance funds greater than the actual construction.<sup>8</sup>

Interest will be payable at either a fixed or variable rate at the time of the advance, which will be the choice of Nolin RECC. Currently, variable rates are 4.00 percent and

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<sup>4</sup> Application at 5.

<sup>5</sup> Id.

<sup>6</sup> Letter from Nolin RECC requesting a Staff Opinion – Construction Work Plan, submitted October 12, 2018.

<sup>7</sup> PSC Staff Opinion 2018-014, issued November 29, 2018.

<sup>8</sup> Nolin’s Response to Informal Conference submitted February 25, 2019.

fixed rates are 4.80 percent.<sup>9</sup> Nolin RECC will take into consideration all factors to choose the most favorable rate.<sup>10</sup> The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The loan from CFC is for lawful objects within the corporate purposes of Nolin RECC, 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. Nolin RECC shall execute its note as security for the proposed loan in the manner described in its application.

3. Within ten days of finalizing the transaction, Nolin RECC shall notify the Commission in writing of the exact amount and terms of the new CFC loan.

4. Within ten days of the execution of the new CFC loan documents, Nolin RECC should file with the Commission one copy of the loan documents.

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

6. The terms and conditions of the new CFC loan should be consistent with the terms as described in Nolin RECC's application.

However, the Commission is concerned that the amount of debt to be incurred by Nolin RECC represents an increase of approximately 30 percent of its current long-term

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<sup>9</sup> Staff's First request for Information Item 3.

<sup>10</sup> Staff's First request for Information Item 4.

debt obligations.<sup>11</sup> The Commission's concern is heightened when considering Nolin RECC's net plant investment is \$72,590,530.<sup>12</sup>

**IT IS THEREFORE ORDERED that:**

1. Nolin RECC is authorized to borrow from CFC up to \$25,000,000 as identified in the application, but no more than the amount to satisfy the 2018–2022 Construction Plan. The loan maturity date and interest rate shall be as described in Nolin RECC's application.

2. Nolin RECC shall execute the CFC loan documents as authorized herein.

3. Nolin RECC 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 shall reference this case number and shall be retained in the post-case correspondence file.

5. This case is hereby closed and will be removed from the Commission's docket.

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.

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<sup>11</sup> Application, Exhibit 1, shows that Nolin RECC's total long-term debt at \$82,338,727 as of November 30, 2018.

<sup>12</sup> Application, Exhibit 3 at 1.



By the Commission



ATTEST:

  
Executive Director

Case No. 2018-00424

\*John J Scott  
Attorney at Law  
John J. Scott, P.S.C.  
200 Logan Avenue  
P.O. Box 389  
Elizabethtown, KENTUCKY 42702-038

\*Nolin R.E.C.C.  
411 Ring Road  
Elizabethtown, KY 42701-6767

\*Michael L. Miller  
President & CEO  
Nolin R.E.C.C.  
411 Ring Road  
Elizabethtown, KY 42701-6767

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of March 21, 2019, between NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION ("Borrower"), a corporation organized and existing under the laws of the State of Kentucky and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

### RECITALS

**WHEREAS**, the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS**, the Borrower has agreed to execute one or more secured promissory notes to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement.

**"Amortization Basis Date"** shall mean the first calendar day of the month following the end of the Billing Cycle in which the Advance occurs, provided, however, that if the Advance is made on the first day of a Billing Cycle, and such day is a Business Day, then the Amortization Basis Date shall be the date of the Advance.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Billing Cycle"** shall mean any 3-month period ending on, and including, a Payment Date.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**“CFC Commitment”** shall have the meaning ascribed to it in Schedule 1 hereto.

**“CFC Fixed Rate”** shall mean (i) such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect, or (ii) such other fixed rate as may be agreed to by the parties and reflected on the written requisition for funds in the form attached as Exhibit A hereto.

**“CFC Fixed Rate Term”** shall mean the specific period of time that a CFC Fixed Rate is in effect for an Advance.

**“CFC Variable Rate”** shall mean (i) the rate established by CFC for variable interest rate long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time, or (ii) such other variable rate as may be agreed to by the parties on the written requisition for funds in the form attached as Exhibit A hereto.

**“Capital Certificate”** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of subordinated debt instruments issued by CFC from time to time. Such instruments may be denoted by CFC as “Loan Capital Term Certificates”, “Member Capital Securities”, “Subordinated Term Certificates”, or other like designations.

**“Conversion Request”** shall mean a written request to CFC from any duly authorized officer or other employee of the Borrower requesting an interest rate conversion available pursuant to the terms of this Agreement.

**“Debt Service Coverage (“DSC”) Ratio”** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, (v) cash received in respect of generation and transmission and other capital credits, (vi) management fees paid to the Borrower pursuant to the Demand Side Management and Energy Efficiency Services Modification Agreement for Fort Knox by and between the Borrower and the federal government (the "Contract") and (vii) principal payments received by Borrower pursuant to the Contract, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term Debt) upon the larger of (i) an annualization of the payments required to be made with respect to the refinancing debt during the portion of such year such refinancing debt is outstanding or (ii) the payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**“Default Rate”** shall mean a rate per annum equal to the interest rate in effect for an Advance plus two hundred (200) basis points.

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

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning ascribed to it in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which the Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"GAAP"** shall mean generally accepted accounting principles in the United States of America as in effect from time to time.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. In computing Interest Expense, 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 Borrower over 2% of the Borrower's Equity.

**"Interest Rate Reset Date"** shall mean, with respect to any Advance, the first day following the expiration of the CFC Fixed Rate Term for such Advance.

**"LCTC Purchase Provisions"** shall mean the specific conditions and covenants in any Prior Loan Document requiring the Borrower to purchase subordinated debt instruments issued by CFC that may be referred to in Prior Loan Documents as "LCTCs", "Loan Capital Term Certificates", "Capital Certificates", "Equity Certificates", "Subordinated Term Certificates" or instruments with other like designations.



**“Lien”** shall mean any statutory or common law consensual 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 Uniform Commercial Code.

**“Loan Documents”** shall mean this Agreement, the Note, the Mortgage and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to the loan made by CFC to the Borrower, pursuant to this Agreement.

**“Long-Term Debt”** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**“Make-Whole Premium”** shall mean, with respect to any principal sum of a CFC Fixed Rate Advance paid prior to the expiration of the CFC Fixed Rate Term applicable thereto (the “Prepaid Principal Amount”), an amount calculated as set forth below. The Make-Whole Premium represents CFC’s reinvestment loss resulting from making a fixed rate loan.

(1) Compute the amount of interest (“Loan Interest”) that would have been due on the Prepaid Principal Amount at the applicable CFC Fixed Rate for the period from the prepayment date through the end of the CFC Fixed Rate Term (such period is hereinafter referred to as the “Remaining Term”), calculated on the basis of a 30-day month/360-day year, adjusted to include any amortization of principal in accordance with the amortization schedule that would have been in effect for the Prepaid Principal Amount.

(2) Compute the amount of interest (“Investment Interest”) that would be earned on the Prepaid Principal Amount (adjusted to include any applicable amortization) if invested in a United States government security with a term equivalent to the Remaining Term, calculated on the basis of a 30-day month/360-day year. The yield used to determine the amount of Investment Interest shall be based upon United States government security yields dated no more than two Business Days prior to the prepayment date in Federal Reserve statistical release H.15 (519), under the caption “U.S. Government Securities/Treasury Constant Maturities”. If there is no such United States government security under said caption with a term equivalent to the Remaining Term, then the yield shall be determined by interpolating between the terms of whole years nearest to the Remaining Term.

(3) Subtract the amount of Investment Interest from the amount of Loan Interest. If the difference is zero or less, then the Make-Whole Premium is zero. If the difference is greater than zero, then the Make-Whole Premium is a sum equal to the present value of the difference, applying as the present value discount a rate equal to the yield utilized to determine Investment Interest.

**“Maturity Date”** with respect to each Note shall have the meaning ascribed to it therein.

**“Mortgage”** shall have the meaning as described in Schedule 1 hereto.

**“Mortgaged Property”** shall have the meaning ascribed to it in the Mortgage.

**“Non-Operating Margins--Interest”** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**“Note” or “Notes”** shall mean each secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto, and shall include all substitute, amended or replacement promissory notes.

**“Obligations”** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**“Operating Margins”** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**“Payment Date”** shall mean the last day of each of the months referred to in Schedule 1.

**“Permitted Encumbrances”** shall have the meaning ascribed to it in the Mortgage.

**“Person”** shall mean natural persons, sole proprietorships, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**“Prepayment Administrative Fee”** shall mean an amount equal to thirty three one-hundredths of one percent (0.33%) of the amount being prepaid.

**“Principal”** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**“Prior Loan Documents”** shall mean, collectively, all long term loan agreements entered into prior to the date hereof by and between CFC and the Borrower, and all promissory notes delivered pursuant thereto secured under the Mortgage, other than loan agreements and notes or bonds representing loans sold, transferred assigned or otherwise endorsed by CFC to a purchaser thereof.

**“Public Organic Record”** shall have the meaning set forth in the Uniform Commercial Code of the jurisdiction of organization of the Borrower.

**“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 three (3) years and covering property having an initial cost in excess of \$250,000 other than automobiles, trucks, trailers, other

vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**“Subsidiary”** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**“Total Assets”** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**“Total Utility Plant”** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower’s ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other Governmental Authority, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and Governmental Authority charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and Governmental Authority charges and levies have become due, except for such taxes, assessments, and Governmental Authority charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

**I. Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's name on its Public Organic Record, (ii) the Borrower's organizational type and jurisdiction of organization and, (iii) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

**J. Required Approvals.** No license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

**K. Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

**L. Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

**M. No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

**N. Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) the Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) the Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of the Borrower in regard to any Environmental Law, and (v) to the best of the Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.



## ARTICLE III

### LOAN

**Section 3.01 Advances.** The Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Dulles, Virginia on the Business Day prior to the Business Day the Borrower seeks to have funds advanced.

At the end of the Draw Period, CFC shall have no further obligation to make Advances. The obligation of the Borrower to repay the Advances shall be evidenced by one or more Notes.

**Section 3.02 Interest Rate and Payment.** Notes shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) Each Note shall have a Maturity Date that is not more than forty (40) years from the date hereof, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date.

(ii) Prior to or at the time of each Advance, the Borrower shall elect, with respect to such Advance, (1) an amortization method for principal, or (2) not to amortize principal. If no election is made, then the Advance shall amortize over a period ending on the earlier of the date that is thirty-five (35) years from the date of such Advance and the Maturity Date.

(a) *Amortizing Advances:* Each Advance that the Borrower elects to amortize shall amortize over a period elected by the Borrower, *provided, however*, that such period shall not (i) exceed thirty-five (35) years from the date of such Advance and (ii) extend beyond the Maturity Date. For each Advance, the Borrower shall promptly pay interest in the amount invoiced on each Payment Date until the first Payment Date of the Billing Cycle in which the Amortization Basis Date occurs. On such Payment Date, and on each Payment Date thereafter, the Borrower shall promptly pay interest and principal in the amounts invoiced. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date. The amortization method for each Advance shall be as stated on Schedule 1 or, if not so stated, then as stated on the written requisition for such Advance submitted by the Borrower to CFC pursuant to the terms hereof.

(b) *Non-Amortizing Advances:* Each Advance that the Borrower elects not to amortize shall be repaid within thirty-five (35) years from the date of such Advance, or the Maturity Date, whichever is earlier. On each Payment Date, the Borrower shall promptly pay interest only until the final Payment Date corresponding to the term of such Advance, or the Maturity Date (whichever is applicable), upon which date all unpaid principal, interest accrued thereon and fees, if any, shall be due and payable. If the term of a non-amortizing Advance ends on a date that is not a Payment Date, then the repayment of such Advance shall be due and payable on the Payment Date immediately preceding such date.

(iii) CFC will invoice the Borrower at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send an invoice shall not constitute a waiver by CFC or

be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(iv) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

**B. Application of Payments.** Each payment shall be applied to the Obligations as follows: (i) first, to any fees, costs, expenses or charges due other than interest or principal, (ii) second, to interest accrued and unpaid, and (iii) third, the balance, if any, to the outstanding principal balance of the Obligations.

**C. Selection of Interest Rate and Interest Rate Computation.** Prior to each Advance on a Note, the Borrower must select in writing either a CFC Fixed Rate or the CFC Variable Rate, as follows:

(i) CFC Fixed Rate. If the Borrower selects a CFC Fixed Rate for an Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by the Borrower. CFC shall provide the Borrower with at least sixty (60) days prior written or electronic notice of the Interest Rate Reset Date for such Advance. The Borrower may then select any available interest rate option for such Advance pursuant to CFC's policies of general application. The Advance shall bear interest according to the interest rate option so selected beginning on the Interest Rate Reset Date. If the Borrower does not select an interest rate in writing prior to the Interest Rate Reset Date, then beginning on the Interest Rate Reset Date the Advance shall bear interest at, the CFC Variable Rate. CFC agrees that its long-term loan policies will include a fixed interest rate option until the Maturity Date. For any Advance, the Borrower may not select a CFC Fixed Rate with a CFC Fixed Rate Term that extends beyond the Maturity Date. Interest on amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days, until the first day of the Billing Cycle in which the Amortization Basis Date occurs; interest shall then be computed on the basis of a 30-day month and 360-day year. Interest on non-amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

(ii) CFC Variable Rate. If the Borrower selects the CFC Variable Rate for an Advance, then such CFC Variable Rate shall apply until the Maturity Date, unless the Borrower elects to convert to a CFC Fixed Rate pursuant to the terms hereof. Interest on Advances bearing interest at the CFC Variable Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

**Section 3.03 Conversion of Interest Rates.** The Borrower may at any time exercise any or all of the following interest rate conversion options by submitting a Conversion Request. The effective date of the interest rate conversion shall be determined by CFC pursuant to its policies of general application.

**A. CFC Variable Rate to a CFC Fixed Rate.** The Borrower may convert the interest rate on an outstanding Advance from the CFC Variable Rate to a CFC Fixed Rate without a fee. Upon such conversion, the new interest rate shall be the CFC Fixed Rate in effect on the date of the Conversion Request for the CFC Fixed Rate Term selected by the Borrower.

**B. CFC Fixed Rate to CFC Variable Rate.** The Borrower may convert the interest rate on an outstanding Advance from a CFC Fixed Rate to the CFC Variable Rate, provided that the Borrower promptly pays the invoiced amount for any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. Upon such conversion, the new interest rate shall be the CFC Variable Rate in effect on the date of the Conversion Request.

**C. A CFC Fixed Rate to Another CFC Fixed Rate.** The Borrower may convert the interest rate on an outstanding Advance from a CFC Fixed Rate to a different CFC Fixed Rate by selecting a different CFC Fixed Rate Term, provided that the Borrower promptly pays the invoiced amount for any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. Upon such conversion, the new interest rate shall be the CFC Fixed Rate in effect on the date of the Conversion Request for the new CFC Fixed Rate Term selected by the Borrower.

**Section 3.04 Optional Prepayment.** The Borrower may at any time, on not less than thirty (30) days prior written notice to CFC, prepay any Advance, in whole or in part. In the event the Borrower prepays all or any part of an Advance (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), the Borrower shall pay any Prepayment Administrative Fee and/or Make-Whole Premium as CFC may prescribe pursuant to the terms of this Section 3.04. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of and to the date of the repayment. All prepayments shall be applied (i) first to any fees, costs, expenses or charges due hereunder other than interest or principal, (ii) second, to the payment of accrued and unpaid interest, and (iii) third, the balance, if any, to the outstanding principal balance of the applicable Advance.

If the Advance bears interest at the CFC Variable Rate, then the Borrower may on any Business Day prepay the Advance or any portion thereof, provided that the Borrower pays together therewith the Prepayment Administrative Fee. If the Advance bears interest at a CFC Fixed Rate, then the Borrower may prepay the Advance on (a) the Business Day before an Interest Rate Reset Date, provided that the Borrower pays together therewith the Prepayment Administrative Fee, or (b) any other Business Day, provided that the Borrower pays together therewith the Prepayment Administrative Fee and any applicable Make-Whole Premium.

**Section 3.05 Mandatory Prepayment.** If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium as set forth in any agreement between the Borrower and CFC with respect to any such Obligation or, if not specified therein, as prescribed by CFC pursuant to its policies of general application in effect from time to time.

Notwithstanding the foregoing, if after giving effect to such change in the Borrower's corporate structure, Borrower, or its successor in interest, is engaged in the furnishing of electric utility services to its members and patrons for their use as ultimate consumers and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body, Borrower shall retain the ability to request, and CFC shall retain the

obligation to make, Advances hereunder and no prepayment shall be required under this Section 3.05.

**Section 3.06 Default Rate.** If the Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

## ARTICLE IV

### CONDITIONS OF LENDING

**Section 4.01 Conditions Precedent to Closing.** The obligation of CFC to make Advances hereunder shall not become effective until the date on which the following conditions precedent have been satisfied:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date hereof.

**C. Closing Deliverables.** CFC shall have been furnished with the following, in form and substance satisfactory to CFC:

**(i) Documents.** (a) the executed Loan Documents, (b) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (c) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (d) all other such documents as CFC may reasonably request.

**(ii) Government Approvals.** True and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a Lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with all applicable laws, rules and regulations, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**E. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be

perfected by the filing of a financing statement, all in accordance with all applicable laws, rules and regulations, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. Special Conditions of Closing.** CFC shall be fully satisfied that the Borrower has complied with all special conditions of closing identified in Schedule 1 hereto.

**Section 4.02 Conditions to Advances.** The obligation of CFC to make each Advance hereunder is additionally subject to satisfaction of the following conditions:

**A. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC, in form and substance satisfactory to CFC. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**B. Representations and Warranties; Default.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**C. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request.

**D. Special Conditions of Advances.** CFC shall be fully satisfied that the Borrower has complied with all special conditions to advance identified in Schedule 1 hereto.

## ARTICLE V

### COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.



**B. Loan Proceeds.** The Borrower shall use the proceeds of this loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

- (i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;
- (ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower; and
- (iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, either (a) signed by the Borrower's General Manager or Chief Executive Officer, or (b) submitted electronically through means made available to the Borrower by CFC, stating that during such year, and to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) If requested by CFC, the Borrower shall deliver to CFC within one hundred twenty (120) days after the close of each calendar year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. RESERVED**

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and

statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each of the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in any way pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the interest rate option, interest rate term and other written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid, all taxes, assessments or Governmental Authority charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, rule or regulation, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** The Borrower shall:

- (i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

- (ii) if it receives any written communication alleging the Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Special Covenants.** The Borrower agrees that it will comply with any special covenants identified in Schedule 1 hereto.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant. If the Borrower does sell, lease or transfer any capital assets, then the proceeds thereof (less ordinary and reasonable expenses incident to such transaction) shall immediately (i) be applied as a prepayment of the Note, to such installments as may be designated by CFC at the time of any such prepayment; (ii) in the case of dispositions of equipment, material or scrap, applied to the purchase of other property useful in the Borrower's business, although 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 other property or in reimbursement of the costs of such property.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.** Make any Distribution except under the following conditions:

- (i) if (a) no Event of Default has occurred and is continuing and (b), after taking into account the effect of the Distribution, the total Equity of the Borrower will be at least twenty percent (20%) of its Total Assets, then the Borrower may make a Distribution in any amount.

(ii) if (a) no Event of Default has occurred and is continuing and (b), after taking into account the effect of the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may make a Distribution in an amount up to thirty percent (30%) of the Borrower's total margins for the preceding calendar year.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which the Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least thirty (30) days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, or (iii) mailing address, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

**ARTICLE VI**  
**EVENTS OF DEFAULT**

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N or 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or stay for a period of sixty (60) consecutive days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) consecutive days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of \$100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

### REMEDIES

**Section 7.01** If any Event of Default shall occur after the date of this Agreement and shall not have been remedied within the applicable grace period therefor, then in every such event (other than an event described in Section 6.01.G, 6.01.H or 6.01.I) and at any time during the continuance of such event, CFC may:

- (i) Cease making Advances hereunder;
- (ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to the Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to the Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;
- (iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages; and
- (v) Pursue any other rights and remedies available to CFC at law or in equity.

If any Event of Default described in Section 6.01.G, 6.01.H or 6.01.I shall occur after the date of this Agreement, then CFC's commitment to make Advances hereunder shall automatically terminate and the unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived. In addition, CFC may pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages and any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by facsimile) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by facsimile, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

The Borrower:

CFC:

The address set forth in  
Schedule 1 hereto

National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, Virginia 20166  
Attention: General Counsel  
Fax # 866-230-5635

**Section 8.02 Expenses.** The Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, and (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the then prevailing CFC Variable Rate plus two hundred (200) basis points.



**Section 8.03 Late Payments.** If payment of any amount due hereunder or under the Note is not received at CFC's office in Dulles, Virginia or such other location as CFC may designate to the Borrower within five (5) Business Days after the applicable due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04 Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A

COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Advances hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any Governmental Authority or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Prior Loan Documents.** It is understood and agreed that the covenants set forth in this Agreement under the Article entitled "COVENANTS" shall restate and supersede all of the covenants set forth in the corresponding Article or Articles of each Prior Loan Document dealing with covenants, regardless of the specific title or titles thereof, *except for* (a) the LCTC Purchase Provisions, and (b) any special covenant or other specific term set forth on Schedule 1 to any Prior Loan Document, unless otherwise explicitly agreed to in writing by CFC, or superseded by explicit reference thereto in this Agreement. For purposes of the foregoing, this Section 8.14 shall be deemed to amend all Prior Loan Documents, and notwithstanding termination of this Agreement for any reason, this Section 8.14 shall nevertheless survive and shall continue to amend each Prior Loan Document for as long as the respective Prior Loan Document is in effect, but only with respect to the matters set forth in this Section 8.14.

**Section 8.15 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and permitted assigns.

**Section 8.16 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

(SEAL)

By: David R Brown

Title: Chair of Board

Attest: A.L. Raunberger  
Secretary

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

(SEAL)

By: \_\_\_\_\_  
Assistant Secretary-Treasurer

Attest: \_\_\_\_\_  
Assistant Secretary-Treasurer

## SCHEDULE 1

1. The Borrower shall use the proceeds of this loan solely for any or all of the following purposes: (A) to own or to operate any of the property listed in (i) through (vi) below (whether such property now exists or is hereafter constructed by the Borrower or acquired by lease, contract, purchase or otherwise); (B) to own or to operate any interest or other participation in any of such property; (C) to own or to exercise any rights to the output or capacity of any such property; and (D) for the reasonable costs and expenses incurred by the Borrower in connection with any of such property *provided, however*, that the Borrower may also use the proceeds of this loan (W) to purchase Capital Certificates as required herein, (X) to refinance indebtedness of the Borrower to any lender, (Y) upon CFC's receipt of a copy of the Borrower's invoice from the National Rural Electric Cooperative Association ("NRECA") for a prepayment of a portion of the Borrower's future funding obligations to the NRECA Retirement Security Plan, to make such prepayment, and (Z) with CFC's prior written consent, to prepay a portion of the Borrower's future funding obligations to any other defined benefit retirement plan:
  - (i) interests in all electric generation, transmission, distribution, conservation, load management, general plant and other facilities related to the Borrower's electric business;
  - (ii) interests in, and equipment or property (real or personal) used in the operation of, any mine, well, pipeline, plant, structure or other facility used for the development, production, manufacture, storage, fabrication or processing of fuel for the Borrower's electric business;
  - (iii) with CFC's prior written consent, interests in, and equipment or property (real or personal) used in the operation of, any mine, well, pipeline, plant, structure or other facility with respect to the supply of water in connection with the Borrower's electric business;
  - (iv) with CFC's prior written consent, water and waste systems, solid waste disposal facilities, natural gas distribution systems, telecommunications and other electronic communications systems, in each case located substantially within the Borrower's electric service territory;
  - (v) with CFC's prior written consent, interests in other community infrastructure located substantially within the Borrower's electric service territory and not specifically identified herein; and
  - (vi) with respect to each of the foregoing (i) through (v):
    - (a) all property, fixtures, structures and other property associated therewith;
    - (b) all additions, betterments, extensions, and improvements thereto;
    - (c) all lands, easements and rights-of-way associated therewith; and

- (d) all licenses, contract rights and other tangible and intangible assets used or useful in connection with or related thereto .
- 2. The aggregate CFC Commitment is \$25,000,000.00. Within this aggregate amount, the Borrower may, at its discretion, execute one or more Notes, each Note representing a separate loan with CFC and containing a face amount and Maturity Date in accordance with the terms, conditions and provisions of this Agreement.
- 3. Draw Period shall mean the period of beginning on the date hereof and ending on the date that is five (5) years thereafter
- 4. The Mortgage shall mean the Restated Mortgage and Security Agreement dated as of June 13, 2013. between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.
- 5. The Notes executed pursuant hereto and the amortization method for such Notes are as follows:

LOAN NUMBER	AMOUNT	AMORTIZATION METHOD
KY051-V-9038	\$15,000,000.00	As selected by Borrower in a written funds requisition at the time of Advance
KY051-V-9039	\$10,000,000.00	As selected by Borrower in a written funds requisition at the time of Advance

- 6. The Payment Date months are February, May, August and November.
- 7. The Subsidiaries of the Borrower referred to in Section 2.01.B are:
 

<u>Name of Subsidiary</u>	<u>% of Borrower's ownership</u>
N/A	N/A
- 8. The date of the Borrower's balance sheet referred to in Section 2.01.H is December 31, 2017.
- 9. The Borrower's exact legal name is: NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
- 10. The Borrower's organizational type is: Corporation
- 11. The Borrower is organized under the laws of the state of: Kentucky
- 12. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 411 Ring Road, Elizabethtown, KY 42701-6767.
- 13. The Governmental Authority referred to in Section 2.01.J is: Kentucky Public Service Commission.

14. The special conditions of closing referred to in Section 4.01.F are as follows: None.
15. The special conditions of advance referred to in Section 4.02.D are as follows: None.
16. The special covenant(s) referred to in Section 5.01.O is (are) as follows: None.
17. The address for notices to the Borrower referred to in Section 8.01 is:

Nolin Rural Electric Cooperative Corporation  
411 Ring Road  
Elizabethtown, KY 42701-6767  
Attention: General Manager

If by facsimile:  
Fax: (270) 735-1062

## SECURED PROMISSORY NOTE

\$15,000,000.00

dated as of March 21, 2019

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, a Kentucky corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Dulles, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of FIFTEEN MILLION AND 00/100 U.S. DOLLARS (\$15,000,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement") on the dates and in the principal amounts provided in the Loan Agreement, and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rates, in amounts and on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable forty (40) years from the date of the Loan Agreement (such date herein called the "Maturity Date") *provided, however*, that if such date is not a Payment Date (as defined in the Loan Agreement), then the Maturity Date shall be the Payment Date immediately preceding such date.

This Note is secured under a Restated Mortgage and Security Agreement dated as of June 13, 2013, between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.



NOLIN RURAL ELECTRIC COOPERATIVE  
CORPORATION

(SEAL)

By: David R Brown

Title: Chair of Board

Attest: A.L. Roumberg  
Secretary

Loan No. KY051-V-9038

**SECURED PROMISSORY NOTE**

\$10,000,000.00

dated as of March 21, 2019

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, a Kentucky corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Dulles, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TEN MILLION AND 00/100 U.S. DOLLARS (\$10,000,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement") on the dates and in the principal amounts provided in the Loan Agreement, and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rates, in amounts and on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable forty (40) years from the date of the Loan Agreement (such date herein called the "Maturity Date") *provided, however*, that if such date is not a Payment Date (as defined in the Loan Agreement), then the Maturity Date shall be the Payment Date immediately preceding such date.

This Note is secured under a Restated Mortgage and Security Agreement dated as of June 13, 2013, between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

NOLIN RURAL ELECTRIC COOPERATIVE  
CORPORATION

(SEAL)

By: David P Brown

Title: Chair of Board

Attest: A. Rosenberger  
Secretary

Loan No. KY051-V-9039

**WHITLOW & SCOTT**  
ATTORNEYS AT LAW  
108 EAST POPLAR STREET  
P.O. BOX 389  
ELIZABETHTOWN, KENTUCKY 42702-0389

TELEPHONE 270-765-2179  
FAX 270-765-2180

JAMES T. WHITLOW  
JOHN J. SCOTT  
BENJAMIN J. HUMPHRIES

LINCOLN SQUARE  
HODGENVILLE, KENTUCKY 42748  
270-358-4344

March 21, 2019

National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, Virginia 20166  
Attention: General Counsel

Re: \$25,000,000.00 Loan(s) to Nolin Rural Electric Cooperative Corporation (the "Borrower")  
CFC Loan Numbers: KY051-V-9038 & V-9039

Ladies and Gentlemen:

I. Introduction

I have served as general counsel for the Borrower, a Kentucky 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"):

- A. The Loan Agreement dated as of March 21, 2019, made by and between the Borrower and National Rural Utilities Cooperative Finance Corporation ("CFC") ("Loan Agreement").
- B. The secured promissory note dated as of March 21, 2019, in the principal amount of \$15,000,000.00, said Note payable to the order of CFC ("9038 Note").
- C. The secured promissory note dated as of March 21, 2019, in the principal amount of \$10,000,000.00, said Note payable to the order of CFC ("9039 Note" and together with the 9038 Note, collectively "the Note").
- D. The Restated Mortgage and Security Agreement dated as of June 13, 2013, by and between Borrower and CFC, as it may have been supplemented, amended, consolidated or restated from time to time ("Mortgage") and which was examined again in connection with this transaction.

## II. Scope of Opinion/Examination of Documents

I am delivering this opinion to you pursuant to requirements set forth in the Loan Documents.

For purposes of this opinion, I 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 and a copy of which is available upon request (the "Loans & Other Material Agreements Certificate"), certifying that the documents identified in the Loans & Other Material Agreements Certificate are: (i) all of the loan agreements and related instruments and security documents to which the Borrower is a party (and all amendments thereto); and (ii) all other agreements (and all amendments thereto) under which a default by the Borrower could have a material adverse effect on the business, operations or financial condition of the Borrower or the Borrower's ability to perform its obligations under the Loan Documents;
- F. Originals, or copies identified to my satisfaction, of the agreements and instruments identified in the Loans & Other Material Agreements Certificate;
- G. A certificate of the Borrower, dated as of even date herewith and a copy of which is attached hereto (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;
- H. The UCC Financing Statements, naming the Borrower as Debtor and CFC as Secured Party, filed in Office of the Kentucky Secretary of State, (the "Filing Office(s)") and listed on Exhibit A hereto (the "Financing Statements");

- I. The results of searches for tax and judgment liens against the Borrower and UCC financing statements naming the Borrower as Debtor (the "Lien Search Results"), attached hereto as Exhibit B; and
- J. Such other certificates, documents and papers as I have deemed advisable in connection with this opinion.

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

As to matters of fact involved in this opinion I 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. I am not aware of any fact that would make any such reliance unreasonable. I have undertaken such investigation of the law and such consideration of the facts (which we have ascertained as described herein) as I, in my professional judgment, have determined appropriate for purposes of rendering this opinion.

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

### III. Opinions & Qualifications

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

- A. The Borrower is a cooperative corporation duly organized, validly existing, and in good standing under the laws of the State of Kentucky, and is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary.
- B. The Borrower has all requisite corporate and legal power and authority to own and operate its assets and to carry on its business as it is now being conducted and to enter into and perform its obligations under the Loan Documents.

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

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

- a. The enforceability of the Loan Documents may be limited by (i) bankruptcy, insolvency, reorganization, receivership, fraudulent conveyance and other laws of general applicability relating to or affecting the rights and remedies of creditors and (ii) general principles of equity.
  - b. Certain provisions of the Loan Documents may not be enforceable under laws with respect to or affecting the remedies provided for in the Loan Documents; nevertheless, such unenforceability will not render any Loan Document invalid as a whole or preclude (i) the judicial enforcement of the obligation of the Borrower to repay the principal, together with interest thereon, as provided in the Note(s), (ii) the acceleration of the obligation of the Borrower to repay such principal and interest upon a material default by the Borrower under the Loan Documents and (iii) the judicial foreclosure in accordance with Kentucky law of the lien created by the Mortgage upon the failure to pay such principal and interest at maturity or upon acceleration pursuant to clause (ii) above.
- F. The Mortgage creates a validly recorded, filed and perfected first priority mortgage lien shared pari passu and pro rata by the lenders that are parties to the Mortgage (individually, a "Mortgagee" and collectively, the "Mortgagees") on all of the Borrower's real property, including without limitation all real property of the Borrower acquired after the date of delivery of the Mortgage, securing Borrower's obligations under the Loan Agreements (as defined in the Mortgage), subject and subordinate only to those liens and encumbrances expressly permitted by the Mortgage. No other recordation, filing, re-recording or re-filing is necessary to maintain the validity or priority of the lien on such real property created by the Mortgage, including without limitation after-acquired property and obligations evidenced by Additional Notes (as defined in the Mortgage) executed and delivered after the date of the Mortgage.

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

- G. The Mortgage creates in favor of the Mortgagees a valid security interest in the Borrower's interest in the fixtures identified therein located in the State of Kentucky and in the personal property identified therein in which a security interest may be validly created under Article 9 of the Uniform Commercial Code as in effect in the State of Kentucky. Such security interest has been validly perfected in such fixtures and personal property in which a security interest may be perfected by filing a financing statement under Article 9 of the Kentucky UCC. No filings, recordings or similar actions, other than the filing of the Financing Statements, are necessary under the laws of the State of Kentucky in order to establish or continue perfection of such security interest.

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

- H. The Lien Search Results as defined above in paragraph I. of Section II. set forth the proper filing office(s) and the proper name of the debtor necessary to identify tax liens and judgment liens against the Borrower and those persons who, as of the effective dates noted in the Lien Search Results, have financing statements on file against the Borrower indicating the existence of a security interest in any personal property or fixtures in which a security interest may be perfected by filing under Article 9 of the Kentucky UCC.
- 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 me 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 my 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.

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

As to matters of law, I limit my opinion to the laws of the State of Kentucky where counsel is admitted to practice law and the laws of the United States of America, and my opinions are limited to the facts and laws in existence on the date of this opinion and at no subsequent time. I note that certain of the Loan Documents purport to be governed by Virginia law. For purposes of giving the opinions set forth above, I have assumed that Virginia law is the same as the law of the State of Kentucky where counsel is admitted to practice law.

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 my express written consent.

Very truly yours,

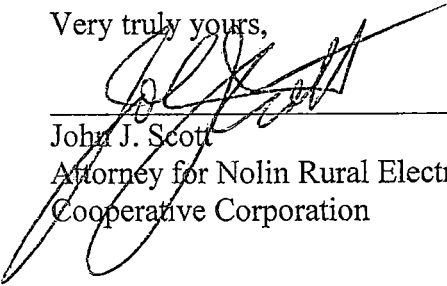
  
\_\_\_\_\_  
John J. Scott  
Attorney for Nolin Rural Electric  
Cooperative Corporation

EXHIBIT A

FINANCING STATEMENTS

<u>Type of Filing</u>	<u>Filing Date</u>	<u>Continuation Required</u>
UCC-1 Financing statement filed with Kentucky Secretary of State	June 14, 2013	N/A

## EXHIBIT B

### LIEN SEARCH RESULTS

1. The proper filing office(s) to identify tax liens and judgment liens against the Borrower are the offices of County Clerk in the counties of Hardin in the state of Kentucky.
2. The proper name of the debtor necessary to identify tax liens and judgment liens against the Borrower is Nolin Rural Electric Cooperative Corporation.
3. The searches for tax and judgment liens against the Borrower in the locations and under the name set forth herein identified the following tax and/or judgment liens: none.
4. A listing of the persons who have financing statements on file against Borrower are attached hereto.

Loan & Other Material Agreements Certificate

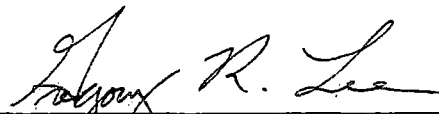
This Certificate is given by **Gregory R. Lee, President & CEO** of **Nolin Rural Electric Cooperative Corporation** (the "Borrower") for the purpose of inducing **John J. Scott** to render legal opinions in connection with the execution and delivery of loan agreement and two promissory notes (the "Loan Documents").

I, **Gregory R. Lee, President & CEO** of the Borrower, does hereby certify as of the date of this Certificate as follows:

1. I am the **President and 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 March 21, 2019.



---

**Gregory R. Lee, President & CEO**  
**Nolin Rural Electric Cooperative Corporation**

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

Loan Agreement between CFC and Borrower dated March 21, 2019

Loan Agreement between CFC and Borrower dated August 9, 2013

First Amendment to Loan Agreement between CFC and Borrower dated December 13, 2018

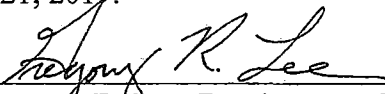
## LITIGATION CERTIFICATE

This Certificate is given by **Gregory R. Lee, President and CEO** of **Nolin Rural Electric Cooperative Corporation** (the "Borrower") for the purpose of inducing **John J. Scott** to render legal opinions in connection with the execution and delivery of **loan agreement and two promissory notes** (the "Loan Documents").

I, **Gregory R. Lee, President and CEO** of the Borrower, does hereby certify as of the date of this Certificate as follows:

1. I am the **President and 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. 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 and CEO** of the Borrower as of March 21, 2019.

  
\_\_\_\_\_  
**Gregory R. Lee, President and CEO**  
**Nolin Rural Electric Cooperative Corporation**

## CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, A.L. Rosenberger, do hereby certify that (i) I am the Secretary of Nolin Rural Electric Cooperative Corporation (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on March 21, 2019; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the loan documents were submitted to the meeting and were authorized by the board of directors to be executed; (vi) none of the following resolutions has been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the loan documents:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation (CFC), from time to time as determined by the officers or proper persons designated by the board of directors of the Cooperative, an aggregate amount not to exceed \$25,000,000.00, as set forth in the loan agreement with CFC governing such loan, substantially in the form of the loan agreement presented to this meeting (the "Loan Agreement"); and

RESOLVED, that the proceeds of this loan be used for the purpose set forth in the Loan Agreement; and

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the following documents (including as many counterparts as may be required):

- a) the Loan Agreement;
- b) one or more secured promissory notes payable to the order of CFC, which in the aggregate shall not exceed the principal amount of \$25,000,000.00, substantially in the form of the note(s) presented to this meeting; and
- c) if required by CFC, a mortgage and security agreement with CFC as mortgagee, for purposes of securing the loan provided for herein, substantially in the form of the mortgage and security agreement presented to this meeting.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to execute any future amendments to said Loan Agreement as such individual may deem appropriate within the amount of the promissory notes so authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

Office or Title

Name (typed or printed)

Chair

David P. Brown

Secretary

A.L. Rosenberger

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this 21<sup>st</sup> day of March, 2019.

  
Secretary

(SEAL)



## FIRST AMENDMENT TO LOAN AGREEMENT

**FIRST AMENDMENT TO LOAN AGREEMENT**, (the "Amendment") dated as of December 13, 2018 by and between NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION ("Borrower"), a corporation organized and existing under the laws of the State of Kentucky and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

### RECITALS

**WHEREAS**, the Borrower and CFC are parties to that certain Loan Agreement, dated as of August 9, 2013 (the "Original Agreement"), providing for a loan to be made available to Borrower by CFC in the aggregate principal amount of Sixty Four Million and 00/100 Dollars (\$64,000,000.00);

**WHEREAS**, the Borrower has requested that certain prepayments made under the Loan Agreement not be subject to payment of any Prepayment Administrative Fee; and

**WHEREAS**, CFC has agreed to such request subject to the Borrower's agreement to make prepayments with certain funds received from the U.S Government for work at the Fort Knox military base.

**NOW, THEREFORE**, for and in consideration of the foregoing, and in further consideration of the premises and the mutual covenants herein contained, the parties hereby amend the Original Agreement, agree and bind themselves as follows:

**Section 1. Recitals.** The foregoing recitals are incorporated herein by reference.

**Section 2. Definitions.** Capitalized terms that are not defined herein shall have the meanings assigned to them as set forth in the Original Agreement.

**Section 3. Amendment.**

**A.** Sections 3.04 and 3.05 of the Original Agreement are hereby deleted in their entirety and are replaced with the following:

**Section 3.04 Optional Prepayment.** The Borrower may at any time, on not less than thirty (30) days prior written notice to CFC, prepay any Advance, in whole or in part. In the event the Borrower prepays all or any part of an Advance (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), the Borrower shall pay any Prepayment Administrative Fee and/or Make-Whole Premium as CFC may prescribe pursuant to the terms of this Section 3.04. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of and to the date of the repayment. All prepayments shall be applied (i) first to any fees, costs, expenses or charges due hereunder other than interest or principal, (ii) second, to the payment of accrued and unpaid interest, and (iii) third, the balance, if any, to the outstanding principal balance of the applicable Advance.

If the Advance bears interest at the CFC Variable Rate, then the Borrower may on any Business Day prepay the Advance or any portion thereof, provided that the Borrower pays together therewith the Prepayment Administrative Fee, *provided, however*, that no Prepayment Administrative Fee shall be due if such prepayment is made to comply with the prepayment requirement in Section 3.05.B hereof. If the Advance bears interest at a CFC Fixed Rate, then the Borrower may prepay the Advance on (a) the Business Day before an Interest Rate Reset Date, provided that the Borrower pays together therewith the Prepayment Administrative Fee, or (b) any other Business Day, provided that the Borrower pays together therewith the Prepayment Administrative Fee and any applicable Make-Whole Premium.

### **Section 3.05 Mandatory Prepayment.**

**A. Corporate Structure.** If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium as set forth in any agreement between the Borrower and CFC with respect to any such Obligation or, if not specified therein, as prescribed by CFC pursuant to its policies of general application in effect from time to time.

Notwithstanding the foregoing, if after giving effect to such change in the Borrower's corporate structure, Borrower, or its successor in interest, is engaged in the furnishing of electric utility services to its members and patrons for their use as ultimate consumers and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body, Borrower shall retain the ability to request, and CFC shall retain the obligation to make, Advances hereunder and no prepayment shall be required under this Section 3.05.

**B. Fort Knox Prepayments.** To the extent Borrower receives payments (other than any regularly scheduled installment payments) from the U.S. Government or other sources as reimbursement for its installation of electrical generation facilities at the Fort Knox military base, Borrower shall prepay an equivalent amount of Advances outstanding hereunder within thirty (30) days of the date Borrower receives any such payment.

**Section 4. Conditions to Amendment.** The obligation of CFC to enter into this Amendment is subject to the satisfaction of the following conditions:

**4.1. Borrower Documents.** CFC shall have been furnished with (i) an executed original of this Amendment, and (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require.

**4.2. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations and consents necessary for the execution, delivery and performance by the Borrower of this Amendment.

**Section 5. RESERVED.**

**Section 6. Effectiveness of Amendment.** This Amendment and the terms hereof shall be effective on the date the Borrower has fulfilled the conditions set forth in Section 4 hereof.

**Section 7. Representations and Warranties.** As a further inducement for CFC to enter into this Amendment, the Borrower represents and warrants that:

**7.1 Good Standing.** The Borrower is a corporation organized and validly existing and in good standing under the laws of the state of its incorporation, is duly qualified in those states in which it is required to be qualified to conduct its business and has power to enter into and perform this Amendment. The Borrower is a member in good standing of CFC.

**7.2 Authority.** The execution, delivery and performance by the Borrower of this Amendment and the performance hereof, have been duly authorized by all necessary corporate action and will not violate any provision of law or of the articles of incorporation or bylaws of the Borrower, or result in a breach of, or constitute a default under, any agreement, indenture or other instrument to which the Borrower is a party or by which it may be bound. The individual executing this Amendment has been duly authorized to act on behalf of the Borrower and has the requisite authority to bind the Borrower to the terms hereof without further action of, and without obtaining any additional approvals from, the Borrower's governing body or any other person or entity.

**7.3 Material Adverse Change.** There has been no material adverse change in the financial condition or operations of the Borrower since the date of the Original Agreement, except as set forth in the most recent financial statements submitted to CFC or as otherwise disclosed in writing to CFC prior to the date hereof.

**7.4 REQUIRED APPROVALS.** NO LICENSE, CONSENT OR APPROVAL OF ANY GOVERNMENTAL AGENCY OR AUTHORITY IS REQUIRED TO ENABLE THE BORROWER TO ENTER INTO THIS AMENDMENT, OR TO PERFORM ANY OF THE OBLIGATIONS PROVIDED FOR HEREIN, EXCEPT AS HAVE BEEN OBTAINED BY THE BORROWER AND DELIVERED TO CFC PRIOR TO THE DATE HEREOF.

**7.5 Prior Representations and Warranties.** All representations and warranties made by the Borrower in the Original Agreement are true and correct as of the date hereof.

**Section 8. Miscellaneous.**

**8.1 Modification.** No modification or waiver of any provision of this Amendment, and no consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent.

**8.2 Merger and Integration.** This Amendment, the Original Agreement and the matters incorporated by reference contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby.

**8.3 Incorporation; Inconsistency with Original Agreement.** Except as otherwise amended or modified herein, the terms, conditions and provisions of the Original Agreement are incorporated herein by reference as if set forth in full herein and remain in full force and effect. In the event of any conflict or inconsistency between the terms of this Amendment and the Original Agreement, the terms of this Amendment shall control. Nothing in this Amendment shall,

however, eliminate or modify any special condition, special affirmative covenant or special negative covenant, if any, specified in the Original Agreement.

**8.4 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

(SEAL)

By: *[Signature]*  
Title: *Vice Chair*

Attest: *[Signature]*  
Title: *Secretary*

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

(SEAL)

By: \_\_\_\_\_  
Assistant Secretary-Treasurer

Attest: \_\_\_\_\_  
Assistant Secretary-Treasurer

**Loan Number: KY051-A-9034-9037**



**CERTIFICATE OF RESOLUTIONS AND INCUMBENCY**  
**(update)**

The undersigned, on behalf of NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION (the "Company"), hereby certifies that as of the date hereof:

(a) the attached resolutions are true, complete and correct copies of the resolutions of the Board of Directors of the Company duly adopted on the date specified therein;

(b) said resolutions have not been modified, altered or rescinded, and the same are in full force and effect; and

(c) the individual who executed the amendment to the loan documents referred to in the attached resolutions held the position as stated therein on the actual date of execution of said amendment.

IN WITNESS WHEREOF, I have executed this Certificate on behalf of the Company, this 13<sup>th</sup> day of Dec, 2018.

(SEAL)

Name: A. L. Rosenberger  
Title: Secretary

**CERTIFICATE OF RESOLUTIONS AND INCUMBENCY**

I, A. L. Rosenberger, do hereby certify that (i) I am the Secretary of Nolin Rural Electric Cooperative Corporation (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on August 9, 2013; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the loan documents were submitted to the meeting and were authorized by the board of directors to be executed; (vi) none of the following resolutions has been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the loan documents:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation (CFC), from time to time as determined by the officers or proper persons designated by the board of directors of the Cooperative, an aggregate amount not to exceed Sixty Four Million and No/100 U.S. Dollars (\$64,000,000.00), as set forth in the loan agreement with CFC governing such loan, substantially in the form of the loan agreement presented to this meeting (the "Loan Agreement"); and

RESOLVED, that the proceeds of this loan be used for the purpose set forth in the Loan Agreement; and

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the following documents (including as many counterparts as may be required):

- a) the Loan Agreement; and
- b) one or more secured promissory notes payable to the order of CFC, which in the aggregate shall not exceed the principal amount of \$64,000,000.00, substantially in the form of the notes presented to this meeting.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Loan Agreement as such individual may deem appropriate within the amount of the promissory notes so authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office or Title</u>	<u>Name (typed or printed)</u>
<u>President</u>	<u>Michael L. Miller</u>
<u>Chair</u>	<u>David P. Brown</u>

Secretary  
Vice President,  
Adm. & Finance

A. L. Rosenberger  
O. V. Sparks

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative  
this

9<sup>th</sup> day of August, 2013.

A. L. Rosenberger  
Secretary

(SEAL)



## FIRST AMENDMENT TO LOAN AGREEMENT

December 13, 2018 **FIRST AMENDMENT TO LOAN AGREEMENT**, (the "Amendment") dated as of December 13, 2018 by and between NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION ("Borrower"), a corporation organized and existing under the laws of the State of Kentucky and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

### RECITALS

**WHEREAS**, the Borrower and CFC are parties to that certain Loan Agreement, dated as of August 9, 2013 (the "Original Agreement"), providing for a loan to be made available to Borrower by CFC in the aggregate principal amount of Sixty Four Million and 00/100 Dollars (\$64,000,000.00);

**WHEREAS**, the Borrower has requested that certain prepayments made under the Loan Agreement not be subject to payment of any Prepayment Administrative Fee; and

**WHEREAS**, CFC has agreed to such request subject to the Borrower's agreement to make prepayments with certain funds received from the U.S Government for work at the Fort Knox military base.

**NOW, THEREFORE**, for and in consideration of the foregoing, and in further consideration of the premises and the mutual covenants herein contained, the parties hereby amend the Original Agreement, agree and bind themselves as follows:

**Section 1. Recitals.** The foregoing recitals are incorporated herein by reference.

**Section 2. Definitions.** Capitalized terms that are not defined herein shall have the meanings assigned to them as set forth in the Original Agreement.

**Section 3. Amendment.**

**A.** Sections 3.04 and 3.05 of the Original Agreement are hereby deleted in their entirety and are replaced with the following:

**Section 3.04 Optional Prepayment.** The Borrower may at any time, on not less than thirty (30) days prior written notice to CFC, prepay any Advance, in whole or in part. In the event the Borrower prepays all or any part of an Advance (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), the Borrower shall pay any Prepayment Administrative Fee and/or Make-Whole Premium as CFC may prescribe pursuant to the terms of this Section 3.04. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of and to the date of the repayment. All prepayments shall be applied (i) first to any fees, costs, expenses or charges due hereunder other than interest or principal, (ii) second, to the payment of accrued and unpaid interest, and (iii) third, the balance, if any, to the outstanding principal balance of the applicable Advance.



If the Advance bears interest at the CFC Variable Rate, then the Borrower may on any Business Day prepay the Advance or any portion thereof, provided that the Borrower pays together therewith the Prepayment Administrative Fee, *provided, however*, that no Prepayment Administrative Fee shall be due if such prepayment is made to comply with the prepayment requirement in Section 3.05.B hereof. If the Advance bears interest at a CFC Fixed Rate, then the Borrower may prepay the Advance on (a) the Business Day before an Interest Rate Reset Date, provided that the Borrower pays together therewith the Prepayment Administrative Fee, or (b) any other Business Day, provided that the Borrower pays together therewith the Prepayment Administrative Fee and any applicable Make-Whole Premium.

### **Section 3.05 Mandatory Prepayment.**

**A. Corporate Structure.** If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium as set forth in any agreement between the Borrower and CFC with respect to any such Obligation or, if not specified therein, as prescribed by CFC pursuant to its policies of general application in effect from time to time.

Notwithstanding the foregoing, if after giving effect to such change in the Borrower's corporate structure, Borrower, or its successor in interest, is engaged in the furnishing of electric utility services to its members and patrons for their use as ultimate consumers and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body, Borrower shall retain the ability to request, and CFC shall retain the obligation to make, Advances hereunder and no prepayment shall be required under this Section 3.05.

**B. Fort Knox Prepayments.** To the extent Borrower receives payments (other than any regularly scheduled installment payments) from the U.S. Government or other sources as reimbursement for its installation of electrical generation facilities at the Fort Knox military base, Borrower shall prepay an equivalent amount of Advances outstanding hereunder within thirty (30) days of the date Borrower receives any such payment.

**Section 4. Conditions to Amendment.** The obligation of CFC to enter into this Amendment is subject to the satisfaction of the following conditions:

**4.1. Borrower Documents.** CFC shall have been furnished with (i) an executed original of this Amendment, and (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require.

**4.2. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations and consents necessary for the execution, delivery and performance by the Borrower of this Amendment.



**Section 5. RESERVED.**

**Section 6. Effectiveness of Amendment.** This Amendment and the terms hereof shall be effective on the date the Borrower has fulfilled the conditions set forth in Section 4 hereof.

**Section 7. Representations and Warranties.** As a further inducement for CFC to enter into this Amendment, the Borrower represents and warrants that:

**7.1 Good Standing.** The Borrower is a corporation organized and validly existing and in good standing under the laws of the state of its incorporation, is duly qualified in those states in which it is required to be qualified to conduct its business and has power to enter into and perform this Amendment. The Borrower is a member in good standing of CFC.

**7.2 Authority.** The execution, delivery and performance by the Borrower of this Amendment and the performance hereof, have been duly authorized by all necessary corporate action and will not violate any provision of law or of the articles of incorporation or bylaws of the Borrower, or result in a breach of, or constitute a default under, any agreement, indenture or other instrument to which the Borrower is a party or by which it may be bound. The individual executing this Amendment has been duly authorized to act on behalf of the Borrower and has the requisite authority to bind the Borrower to the terms hereof without further action of, and without obtaining any additional approvals from, the Borrower's governing body or any other person or entity.

**7.3 Material Adverse Change.** There has been no material adverse change in the financial condition or operations of the Borrower since the date of the Original Agreement, except as set forth in the most recent financial statements submitted to CFC or as otherwise disclosed in writing to CFC prior to the date hereof.

**7.4 REQUIRED APPROVALS.** NO LICENSE, CONSENT OR APPROVAL OF ANY GOVERNMENTAL AGENCY OR AUTHORITY IS REQUIRED TO ENABLE THE BORROWER TO ENTER INTO THIS AMENDMENT, OR TO PERFORM ANY OF THE OBLIGATIONS PROVIDED FOR HEREIN, EXCEPT AS HAVE BEEN OBTAINED BY THE BORROWER AND DELIVERED TO CFC PRIOR TO THE DATE HEREOF.

**7.5 Prior Representations and Warranties.** All representations and warranties made by the Borrower in the Original Agreement are true and correct as of the date hereof.

**Section 8. Miscellaneous.**

**8.1 Modification.** No modification or waiver of any provision of this Amendment, and no consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent.

**8.2 Merger and Integration.** This Amendment, the Original Agreement and the matters incorporated by reference contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby.

**8.3 Incorporation; Inconsistency with Original Agreement.** Except as otherwise amended or modified herein, the terms, conditions and provisions of the Original Agreement are incorporated herein by reference as if set forth in full herein and remain in full force and effect. In the event of any conflict or inconsistency between the terms of this Amendment and the Original Agreement, the terms of this Amendment shall control. Nothing in this Amendment shall,

however, eliminate or modify any special condition, special affirmative covenant or special negative covenant, if any, specified in the Original Agreement.

**8.4 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

(SEAL)

By: *[Signature]*

Title: Vice chair

Attest: *[Signature]*

Title: Secretary

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

(SEAL)

By: \_\_\_\_\_  
Assistant Secretary-Treasurer

Attest: \_\_\_\_\_  
Assistant Secretary-Treasurer

**Loan Number: KY051-A-9034-9037**