



Cumberland Valley Electric

A Touchstone Energy Cooperative 

March 7, 2013

RECEIVED

MAR 11 2013

PUBLIC SERVICE
COMMISSION

Mr. Jeff R. Derouen
Executive Director
Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

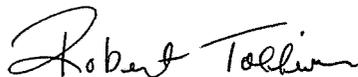
RE: Application of Cumberland Valley Electric, Inc. for authorization to borrow \$2,892,121 from CoBank and to execute necessary notes to prepay Cooperative Finance Corporation notes of the same amount – PSC Case No. 2013-00018

Dear Mr. Derouen:

As per the Order in PSC Case No. 2013-00018, we have executed notes to CoBank in the total amount of \$2,892,121 and Cooperative Finance Corporation notes of the same amount have been paid on February 28, 2013. The loan maturity dates and interest rates are the same as described in our application. The actual gross savings and net present value savings will remain the same as described in the application in PSC Case No. 2013-00018.

Please find enclosed three copies of the new loan documents with CoBank. If you have any questions or need additional information, please let me know.

Sincerely,



Robert Tolliver
Office Manager

Enclosures

RECEIVED

MAR 11 2013

PUBLIC SERVICE
COMMISSION

Loan No. RI0628T01

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

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Master Loan Agreement dated as of February 14, 2008, (the "MLA") is entered into as of January 10, 2013 between **CUMBERLAND VALLEY ELECTRIC, INC., Gray, Kentucky**, a Kentucky corporation (the "Company") and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Term Loan. On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$1,639,463.42 (the "Commitment"). The Commitment shall expire at 12:00 noon (Company's local time) on March 4, 2013, or on such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made to the Company by the National Rural Utilities Cooperative Finance Corporation ("CFC") and identified on **Exhibit A** hereto (individually or collectively, the "Existing CFC Loan(s)").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The loan will be made available in a single advance by CoBank wire transferring the proceeds of the loan to CFC.

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

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

(B) Quoted Rate Option. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 3.68% per annum through the maturity date of May 20, 2031.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed for periods expiring after the maturity date of the loans and rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

SECTION 5. Fees. INTENTIONALLY OMITTED.

SECTION 6. Promissory Note. The Company promises to repay the unpaid principal balance of the loan in 219 consecutive, monthly installments, payable on the 20th day of each month, with the first installment due on March 20, 2013, and the last installment due on May 20, 2031. The amount of each installment shall be the same principal amount that would be required to be repaid if the loan(s) were scheduled to be repaid in level payments of principal and interest and such schedule was calculated utilizing the rate of interest in effect on the date funds are advanced under this Promissory Note and Supplement. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above.

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

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) a copy of the Company's current, recorded mortgage with the Rural Utilities Service ("RUS") and CFC, as amended and supplemented to the date hereof (the "Mortgage"); (B) a copy of a payoff letter from CFC, on CFC letterhead, setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loan(s); (C) a duly completed and executed copy of the Request for Loan; (D) such

Promissory Note and
Single Advance Term Loan Supplement (CFC Refinance) RI0628T01
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky

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evidence as may be satisfactory to CoBank that the Company has provided RUS and CFC with the Notification of Refinancing (as required by Section 2.02 of the Mortgage); (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s); and (F) and will furnish to CoBank a closing opinion of counsel (which opinion of counsel must be acceptable to CoBank).

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s), the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) on or before the date that is 180 days after the Closing Date, the Company will: (1) obtain all required signatures on a Supplemental or Restated Mortgage (the "Supplemental or Restated Mortgage") adding this Promissory Note and Supplement as a secured note under the Mortgage; (2) perfect the first priority lien on and security interest in the property described in the Mortgage as supplemented or restated by the Supplemental or Restated Mortgage and provide to CoBank satisfactory evidence that the Supplemental or Restated Mortgage has been duly recorded as a mortgage on all real property, and duly filed, recorded, or indexed as a security interest in all personal property wherever CoBank shall have requested, all in accordance with applicable law; (3) furnish to CoBank recorded, file stamped copies of the Supplemental or Restated Mortgage along with proof that all required taxes and fees have been paid in connection with the Supplemental or Restated Mortgage; and (4) furnish to CoBank an opinion of counsel (which opinion of counsel must be acceptable to CoBank).

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

CoBANK, ACB

CUMBERLAND VALLEY ELECTRIC, INC.

By: *Shawn Davera*

By: *Jed Hanger*

Title: Assistant Corporate Secretary

Title: President

am
2/27/13

Promissory Note and
Single Advance Term Loan Supplement (CFC Refinance) RI0628T01
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky

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EXHIBIT A
To Supplement No. RI0628T01

DESCRIPTION OF EXISTING CFC LOAN(S) TO BE REFINANCED

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

| LENDER | LOAN DESIGNATION | AMOUNT TO BE REFINANCED |
|---------------|-------------------------|--------------------------------|
| CFC | 9020 | \$1,121,561.94 |
| CFC | 9021 | \$517,901.48 |

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

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Master Loan Agreement dated as of February 14, 2008, (the "MLA") is entered into as of January 10, 2013 between **CUMBERLAND VALLEY ELECTRIC, INC., Gray, Kentucky**, a Kentucky corporation (the "Company") and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Term Loan. On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$725,083.75 (the "Commitment"). The Commitment shall expire at 12:00 noon (Company's local time) on March 4, 2013, or on such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made to the Company by the National Rural Utilities Cooperative Finance Corporation ("CFC") and identified on **Exhibit A** hereto (individually or collectively, the "Existing CFC Loan(s)").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The loan will be made available in a single advance by CoBank wire transferring the proceeds of the loan to CFC.

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

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

(B) Quoted Rate Option. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 2.59% per annum through the maturity date of February 20, 2022.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed for periods expiring after the maturity date of the loans and rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

SECTION 5. Fees. INTENTIONALLY OMITTED.

SECTION 6. Promissory Note. The Company promises to repay the unpaid principal balance of the loan in 108 consecutive, monthly installments, payable on the 20th day of each month, with the first installment due on March 20, 2013, and the last installment due on February 20, 2022. The amount of each installment shall be the same principal amount that would be required to be repaid if the loan(s) were scheduled to be repaid in level payments of principal and interest and such schedule was calculated utilizing the rate of interest in effect on the date funds are advanced under this Promissory Note and Supplement. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above.

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

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) a copy of the Company's current, recorded mortgage with the Rural Utilities Service ("RUS") and CFC, as amended and supplemented to the date hereof (the "Mortgage"); (B) a copy of a payoff letter from CFC, on CFC letterhead, setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loan(s); (C) a duly completed and executed copy of the Request for Loan; (D) such

Promissory Note and
Single Advance Term Loan Supplement (CFC Refinance) RI0628T02
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky

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evidence as may be satisfactory to CoBank that the Company has provided RUS and CFC with the Notification of Refinancing (as required by Section 2.02 of the Mortgage); (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s); and (F) and will furnish to CoBank a closing opinion of counsel (which opinion of counsel must be acceptable to CoBank).

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s), the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) on or before the date that is 180 days after the Closing Date, the Company will: (1) obtain all required signatures on a Supplemental or Restated Mortgage (the "Supplemental or Restated Mortgage") adding this Promissory Note and Supplement as a secured note under the Mortgage; (2) perfect the first priority lien on and security interest in the property described in the Mortgage as supplemented or restated by the Supplemental or Restated Mortgage and provide to CoBank satisfactory evidence that the Supplemental or Restated Mortgage has been duly recorded as a mortgage on all real property, and duly filed, recorded, or indexed as a security interest in all personal property wherever CoBank shall have requested, all in accordance with applicable law; (3) furnish to CoBank recorded, file stamped copies of the Supplemental or Restated Mortgage along with proof that all required taxes and fees have been paid in connection with the Supplemental or Restated Mortgage; and (4) furnish to CoBank an opinion of counsel (which opinion of counsel must be acceptable to CoBank).

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

CoBANK, ACB

CUMBERLAND VALLEY ELECTRIC, INC.

By: *Shawn Davern*

By: *Ted Huntington*

Title: Assistant Corporate Secretary

Title: President

CH
2/27/13

Promissory Note and
Single Advance Term Loan Supplement (CFC Refinance) RI0628T02
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky

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EXHIBIT A
To Supplement No. RI0628T02

DESCRIPTION OF EXISTING CFC LOAN(S) TO BE REFINANCED

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

| LENDER | LOAN DESIGNATION | AMOUNT TO BE REFINANCED |
|---------------|-------------------------|--------------------------------|
| CFC | 9019 | \$725,083.75 |

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

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Master Loan Agreement dated as of February 14, 2008, (the "MLA") is entered into as of January 10, 2013 between **CUMBERLAND VALLEY ELECTRIC, INC., Gray, Kentucky**, a Kentucky corporation (the "Company") and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Term Loan. On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$293,206.79 (the "Commitment"). The Commitment shall expire at 12:00 noon (Company's local time) on March 4, 2013, or on such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made to the Company by the National Rural Utilities Cooperative Finance Corporation ("CFC") and identified on **Exhibit A** hereto (individually or collectively, the "Existing CFC Loan(s)").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The loan will be made available in a single advance by CoBank wire transferring the proceeds of the loan to CFC.

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

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

(B) Quoted Rate Option. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 2.41% per annum through the maturity date of November 20, 2020.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed for periods expiring after the maturity date of the loans and rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

SECTION 5. Fees. INTENTIONALLY OMITTED.

SECTION 6. Promissory Note. The Company promises to repay the unpaid principal balance of the loan in 93 consecutive, monthly installments, payable on the 20th day of each month, with the first installment due on March 20, 2013, and the last installment due on November 20, 2020. The amount of each installment shall be the same principal amount that would be required to be repaid if the loan(s) were scheduled to be repaid in level payments of principal and interest and such schedule was calculated utilizing the rate of interest in effect on the date funds are advanced under this Promissory Note and Supplement. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above.

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

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) a copy of the Company's current, recorded mortgage with the Rural Utilities Service ("RUS") and CFC, as amended and supplemented to the date hereof (the "Mortgage"); (B) a copy of a payoff letter from CFC, on CFC letterhead, setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loan(s); (C) a duly completed and executed copy of the Request for Loan; (D) such

Promissory Note and
Single Advance Term Loan Supplement (CFC Refinance) RI0628T03
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky

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evidence as may be satisfactory to CoBank that the Company has provided RUS and CFC with the Notification of Refinancing (as required by Section 2.02 of the Mortgage); (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s); and (F) and will furnish to CoBank a closing opinion of counsel (which opinion of counsel must be acceptable to CoBank).

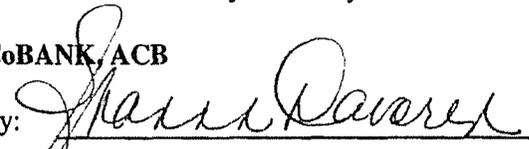
SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s), the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) on or before the date that is 180 days after the Closing Date, the Company will: (1) obtain all required signatures on a Supplemental or Restated Mortgage (the "Supplemental or Restated Mortgage") adding this Promissory Note and Supplement as a secured note under the Mortgage; (2) perfect the first priority lien on and security interest in the property described in the Mortgage as supplemented or restated by the Supplemental or Restated Mortgage and provide to CoBank satisfactory evidence that the Supplemental or Restated Mortgage has been duly recorded as a mortgage on all real property, and duly filed, recorded, or indexed as a security interest in all personal property wherever CoBank shall have requested, all in accordance with applicable law; (3) furnish to CoBank recorded, file stamped copies of the Supplemental or Restated Mortgage along with proof that all required taxes and fees have been paid in connection with the Supplemental or Restated Mortgage; and (4) furnish to CoBank an opinion of counsel (which opinion of counsel must be acceptable to CoBank).

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

CoBANK, ACB

By:

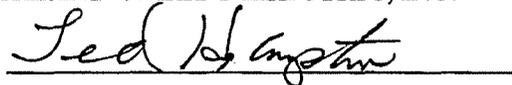
Title:


Assistant Corporate Secretary

CUMBERLAND VALLEY ELECTRIC, INC.

By:

Title:


President


2/27/13

Promissory Note and
Single Advance Term Loan Supplement (CFC Refinance) RI0628T03
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky

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EXHIBIT A
To Supplement No. RI0628T03

DESCRIPTION OF EXISTING CFC LOAN(S) TO BE REFINANCED

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

| LENDER | LOAN DESIGNATION | AMOUNT TO BE REFINANCED |
|---------------|-------------------------|--------------------------------|
| CFC | 9018 | \$293,206.79 |

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

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Master Loan Agreement dated as of February 14, 2008, (the "MLA") is entered into as of January 10, 2013 between **CUMBERLAND VALLEY ELECTRIC, INC., Gray, Kentucky**, a Kentucky corporation (the "Company") and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Term Loan. On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$164,818.21 (the "Commitment"). The Commitment shall expire at 12:00 noon (Company's local time) on March 4, 2013, or on such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made to the Company by the National Rural Utilities Cooperative Finance Corporation ("CFC") and identified on **Exhibit A** hereto (individually or collectively, the "Existing CFC Loan(s)").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The loan will be made available in a single advance by CoBank wire transferring the proceeds of the loan to CFC.

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

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

(B) Quoted Rate Option. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 1.86% per annum through the maturity date of May 20, 2016.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed for periods expiring after the maturity date of the loans and rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

SECTION 5. Fees. INTENTIONALLY OMITTED.

SECTION 6. Promissory Note. The Company promises to repay the unpaid principal balance of the loan in 39 consecutive, monthly installments, payable on the 20th day of each month, with the first installment due on March 20, 2013, and the last installment due on May 20, 2016. The amount of each installment shall be the same principal amount that would be required to be repaid if the loan(s) were scheduled to be repaid in level payments of principal and interest and such schedule was calculated utilizing the rate of interest in effect on the date funds are advanced under this Promissory Note and Supplement. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above.

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

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) a copy of the Company's current, recorded mortgage with the Rural Utilities Service ("RUS") and CFC, as amended and supplemented to the date hereof (the "Mortgage"); (B) a copy of a payoff letter from CFC, on CFC letterhead, setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loan(s); (C) a duly completed and executed copy of the Request for Loan; (D) such

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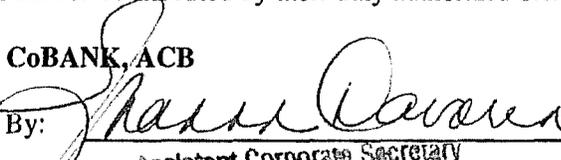
evidence as may be satisfactory to CoBank that the Company has provided RUS and CFC with the Notification of Refinancing (as required by Section 2.02 of the Mortgage); (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s); and (F) and will furnish to CoBank a closing opinion of counsel (which opinion of counsel must be acceptable to CoBank).

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s), the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) on or before the date that is 180 days after the Closing Date, the Company will: (1) obtain all required signatures on a Supplemental or Restated Mortgage (the "Supplemental or Restated Mortgage") adding this Promissory Note and Supplement as a secured note under the Mortgage; (2) perfect the first priority lien on and security interest in the property described in the Mortgage as supplemented or restated by the Supplemental or Restated Mortgage and provide to CoBank satisfactory evidence that the Supplemental or Restated Mortgage has been duly recorded as a mortgage on all real property, and duly filed, recorded, or indexed as a security interest in all personal property wherever CoBank shall have requested, all in accordance with applicable law; (3) furnish to CoBank recorded, file stamped copies of the Supplemental or Restated Mortgage along with proof that all required taxes and fees have been paid in connection with the Supplemental or Restated Mortgage; and (4) furnish to CoBank an opinion of counsel (which opinion of counsel must be acceptable to CoBank).

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

CoBANK, ACB

CUMBERLAND VALLEY ELECTRIC, INC.

By: 

By: 

~~Assistant~~ Corporate Secretary

Title: _____

Title: President


2/27/13

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EXHIBIT A
To Supplement No. RI0628T04

DESCRIPTION OF EXISTING CFC LOAN(S) TO BE REFINANCED

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

| LENDER | LOAN DESIGNATION | AMOUNT TO BE REFINANCED |
|---------------|-------------------------|--------------------------------|
| CFC | 9017 | \$164,818.21 |

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

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Master Loan Agreement dated as of February 14, 2008, (the "MLA") is entered into as of January 10, 2013 between **CUMBERLAND VALLEY ELECTRIC, INC., Gray, Kentucky**, a Kentucky corporation (the "Company") and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Term Loan. On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$69,549.02 (the "Commitment"). The Commitment shall expire at 12:00 noon (Company's local time) on March 4, 2013, or on such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made to the Company by the National Rural Utilities Cooperative Finance Corporation ("CFC") and identified on **Exhibit A** hereto (individually or collectively, the "Existing CFC Loan(s)").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The loan will be made available in a single advance by CoBank wire transferring the proceeds of the loan to CFC.

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

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

(B) **Quoted Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 1.96% per annum through the maturity date of November 20, 2013.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate

option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed for periods expiring after the maturity date of the loans and rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

SECTION 5. Fees. INTENTIONALLY OMITTED.

SECTION 6. Promissory Note. The Company promises to repay the unpaid principal balance of the loan in 9 consecutive, monthly installments, payable on the 20th day of each month, with the first installment due on March 20, 2013, and the last installment due on November 20, 2013. The amount of each installment shall be the same principal amount that would be required to be repaid if the loan(s) were scheduled to be repaid in level payments of principal and interest and such schedule was calculated utilizing the rate of interest in effect on the date funds are advanced under this Promissory Note and Supplement. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above.

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

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) a copy of the Company's current, recorded mortgage with the Rural Utilities Service ("RUS") and CFC, as amended and supplemented to the date hereof (the "Mortgage"); (B) a copy of a payoff letter from CFC, on CFC letterhead, setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loan(s); (C) a duly completed and executed copy of the Request for Loan; (D) such evidence as may be satisfactory to CoBank that the Company has provided RUS and CFC with the Notification of Refinancing (as required by Section 2.02 of the Mortgage); (E) immediately available

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funds in an amount sufficient to pay all interest accrued on the Existing CFC Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s); and (F) and will furnish to CoBank a closing opinion of counsel (which opinion of counsel must be acceptable to CoBank).

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loan(s), the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) on or before the date that is 180 days after the Closing Date, the Company will: (1) obtain all required signatures on a Supplemental or Restated Mortgage (the "Supplemental or Restated Mortgage") adding this Promissory Note and Supplement as a secured note under the Mortgage; (2) perfect the first priority lien on and security interest in the property described in the Mortgage as supplemented or restated by the Supplemental or Restated Mortgage and provide to CoBank satisfactory evidence that the Supplemental or Restated Mortgage has been duly recorded as a mortgage on all real property, and duly filed, recorded, or indexed as a security interest in all personal property wherever CoBank shall have requested, all in accordance with applicable law; (3) furnish to CoBank recorded, file stamped copies of the Supplemental or Restated Mortgage along with proof that all required taxes and fees have been paid in connection with the Supplemental or Restated Mortgage; and (4) furnish to CoBank an opinion of counsel (which opinion of counsel must be acceptable to CoBank).

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

CoBANK, ACB

CUMBERLAND VALLEY ELECTRIC, INC.

By: *Sharon Davoren*

By: *Ted Hampton*

Title: *Assistant Corporate Secretary*

Title: *President*

OK 2/27/13

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EXHIBIT A
To Supplement No. RI0628T05

DESCRIPTION OF EXISTING CFC LOAN(S) TO BE REFINANCED

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

| LENDER | LOAN DESIGNATION | AMOUNT TO BE REFINANCED |
|---------------|-------------------------|--------------------------------|
| CFC | 9014 | \$69,549.02 |