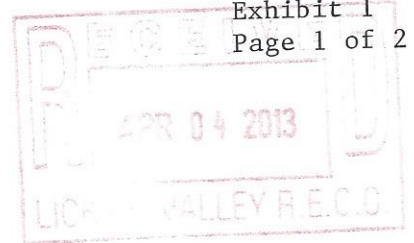




United States Department of Agriculture  
Rural Development



*Copy*

APR 2 2013

Mr. Kerry K. Howard  
General Manager/CEO  
Licking Valley Rural Electric  
Cooperative Corporation  
P.O. Box 605  
West Liberty, Kentucky 41472-0605

Dear Mr. Howard:

We have completed our review of Licking Valley Rural Electric Cooperative Corporation's Rural Utilities Service (RUS) Form 7, Financial and Statistical Report, for the year ending December 31, 2012. While we are pleased to note that your cooperative has exceeded the minimum financial coverage ratios outlined in Article V, Section 5.4 (b) of the Loan Contract, we are concerned that the Operating Times Interest Earned Ratio (OTIER) has declined over the last several years and that, should this trend continue, an adequate ratio will not be achieved.

Please let us know what areas have had an adverse effect on your cooperative's financial condition and outline any corrective measures that have been or will be implemented to improve this declining ratio. Please include the projected Times Interest Earned Ratio (TIER), OTIER, Debt Service Coverage and Operating Debt Service Coverage for the year ending December 31, 2013.

Sincerely,

BRIAN D. JENKINS  
Chief, Operations Branch  
Northern Regional Division  
Electric Programs

1400 Independence Ave, S.W. · Washington DC 20250-0700  
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

