

connection with such payment, and (3) excluded in computing interest due in connection with the next payment.

(c) In the event that the Maturity Date for any Advance or the Final Maturity Date falls on a day other than a Business Day, then the extension of time for making the payment that would otherwise be due on such Maturity Date or the Final Maturity, as the case may be, shall be (1) taken into account in establishing the interest rate for such Advance, and (2) included in computing interest due in connection with such payment.

11. Late Payments.

(a) In the event that any payment of any amount owing under this Note is not made when and as due (any such amount being then an "Overdue Amount"), then the amount payable shall be such Overdue Amount plus interest thereon (such interest being the "Late Charge") computed in accordance with this subparagraph (a).

(1) The Late Charge shall accrue from the scheduled date of payment for the Overdue Amount (taking into account paragraph 10 of this Note) to the date on which payment is made.

(2) The Late Charge shall be computed on the basis of (A) actual days elapsed from (but not including) the scheduled date of payment for such Overdue Amount (taking into account paragraph 10 of this Note) to (and including) the date on which payment is made, and (B) a year of 365 days (except in calendar years including February 29, when the basis shall be a 366-day year).

(3) The Late Charge shall accrue at a rate (the "Late Charge Rate") equal to one and one-half times the rate to be determined by the Secretary of the Treasury taking into consideration the prevailing market yield on the remaining maturity of the most recently auctioned 13-week United States Treasury bills.

(4) The initial Late Charge Rate shall be in effect until the earlier to occur of either (A) the date on which payment of the Overdue Amount and the amount of the accrued Late Charge is made, or (B) the first Payment Date to occur after the scheduled date of payment for such Overdue Amount. In the event that the Overdue Amount and the amount of the accrued Late Charge are not paid on or before the such Payment Date, then the amount payable shall be the sum of the Overdue Amount and the amount of the accrued Late

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Charge, plus a Late Charge on such sum accruing at a new Late Charge Rate to be then determined in accordance with the principles of clause (3) of this subparagraph (a). For so long as any Overdue Amount remains unpaid, the Late Charge Rate shall be redetermined in accordance with the principles of clause (3) of this subparagraph (a) on each Payment Date to occur thereafter, and shall be applied to the Overdue Amount and all amounts of the accrued Late Charge to the date on which payment of the Overdue Amount and all amounts of the accrued Late Charge is made.

(b) Nothing in subparagraph (a) of this paragraph 11 shall be construed as permitting or implying that the Borrower may, without the written consent of FFB, modify, extend, alter or affect in any manner whatsoever (except as explicitly provided herein) the right of FFB to receive any and all payments on account of this Note on the dates specified in this Note.

12. Final Due Date.

Notwithstanding anything in this Note to the contrary, all amounts outstanding under this Note remaining unpaid as of the Final Maturity Date shall be due and payable on the Final Maturity Date.

13. Manner of Making Payments.

(a) For so long as FFB is the holder of this Note and RUS is the loan servicing agent for FFB (as provided in the Agreement), each payment under this Note shall be made in immediately available funds by electronic funds transfer to the account specified from time to time by RUS, as loan servicing agent for FFB, in a written notice delivered by RUS to the Borrower.

(b) In the event that FFB is the holder of this Note but RUS is not the loan servicing agent for FFB, then each payment under this Note shall be made in immediately available funds by electronic funds transfer to the account specified from time to time by FFB in a written notice delivered by FFB to the Borrower.

(c) In the event that FFB is not the holder of this Note, then each payment under this Note shall be made in the manner and to the account specified from time to time by the holder in a written notice delivered by the holder to the Borrower.

14. Application of Payments.

Each payment made on this Note shall be applied, first, to the payment of Late Charges (if any) payable under paragraphs 11 and 19 of this Note, then to the payment of premiums (if any) payable under paragraphs 17 and 18 of this Note, then to the payment of unpaid accrued interest, then on account of outstanding principal, and then to the payment of the fee payable under paragraph 9 of this Note.

15. Maturity Extensions.

(a) With respect to each Advance for which the Borrower has selected a Maturity Date that will occur before the Final Maturity Date (each such Maturity Date being an "Interim Maturity Date"), the Borrower may, effective as of such Interim Maturity Date, elect to extend the maturity of all or any portion of the outstanding principal amount of the respective Advance (subject to subparagraph (c) of this paragraph 15) to a new Maturity Date to be selected by the Borrower in the manner and subject to the limitations specified in this subparagraph (a) (each such election being a "Maturity Extension Election"; each such elective extension of the maturity of any Advance that has an Interim Maturity Date being a "Maturity Extension"; and the Interim Maturity Date that is in effect for an Advance immediately before any such elective Maturity Extension being, from and after such Maturity Extension, the "Maturity Extension Effective Date").

(1) Except under the circumstances described in clause (3) of this subparagraph (a), the Borrower shall deliver to FFB (with a copy to RUS) written notification of each Maturity Extension Election, in the form of notification attached to this Note as Annex B-1 (each such notification being a "Maturity Extension Election Notice"), making reference to the "Advance Identifier" (as that term is defined in the Agreement) that FFB assigned to such Advance (as provided in the Agreement) and specifying, among other things, the following:

(A) the amount of the outstanding principal of the such Advance with respect to which the Borrower elects to extend the maturity (subject to subparagraph (c) of this paragraph 15); and

(B) the new Maturity Date that the Borrower selects to be in effect for such principal amount after the respective Maturity Extension Effective Date, which date:

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(i) may be either a new Interim Maturity Date or the Final Maturity Date; and

(ii) in the event that the Borrower selects a new Interim Maturity Date as the new Maturity Date for any Advance, must meet the criteria for Maturity Dates prescribed in paragraph 5 of this Note (provided, however, that, for purposes of selecting a new Maturity Date in connection with a Maturity Extension Election, the reference to "the Requested Advance Date for the respective Advance" in subparagraph (c) of paragraph 5 of this Note shall be deemed to be a reference to "the respective Maturity Extension Effective Date").

(2) To be effective, a Maturity Extension Election Notice must be received by FFB on or before the third Business Day before the Interim Maturity Date in effect for the respective Advance immediately before such Maturity Extension.

(3) In the event that either of the circumstances described in subclause (A) or (B) of the next sentence occurs, then a Maturity Extension Election Notice (in the form of notice attached to this Note as Annex B-2), to be effective, must first be delivered to RUS for approval and be approved by RUS in writing, and such Maturity Extension Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the third Business Day before the Interim Maturity Date in effect for the respective Advance immediately before such Maturity Extension. RUS approval of a Maturity Extension Election Notice will be required under either of the following circumstances:

(A) (i) any payment of any amount owing under this Note is not made by the Borrower when and as due, (ii) payment is made by RUS in accordance with the guarantee set forth at the end of this Note, and (iii) RUS delivers notice to both the Borrower and FFB advising each of them that each Maturity Extension Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS; or

(B) FFB at any time delivers notice to both the Borrower and RUS advising each of them that each Maturity Extension Election Notice delivered by the

Borrower after the date of such notice shall require the approval of RUS.

(b) With respect to any Advance that has an Interim Maturity Date, in the event that FFB does not receive a Maturity Extension Election Notice (and, if required under clause (3) of subparagraph (a) of this paragraph 15, written notification of RUS's approval thereof) on or before the third Business Day before such Interim Maturity Date, then the maturity of such Advance shall be extended automatically in the manner and subject to the limitations specified in this subparagraph (b) (each such automatic extension of the maturity of any Advance that has an Interim Maturity Date also being a "Maturity Extension"; and the Interim Maturity Date that is in effect for an Advance immediately before any such automatic Maturity Extension also being, from and after such Maturity Extension, the "Maturity Extension Effective Date").

(1) The new Maturity Date for such Advance shall be the immediately following quarterly Payment Date.

(2) If the Interim Maturity Date that is in effect for such Advance immediately before such automatic Maturity Extension is:

(A) a Payment Date that occurs before the First Principal Payment Date (i.e., such Advance is not an Amortizing Advance), then the amount of principal that will have its maturity extended automatically shall be the entire outstanding principal amount of such Advance;

(B) the Payment Date that immediately precedes the First Principal Payment Date, then the method for the repayment of principal that shall apply to such Advance from and after the respective Maturity Extension Effective Date shall be the "level debt service" method; and

(C) either the First Principal Payment Date or a Payment Date that occurs after the First Principal Payment Date (i.e., such Advance is an Amortizing Advance), then:

(i) the amount of principal that will have its maturity extended automatically shall be the outstanding principal amount of such Advance less the principal installment that is due on the

respective Maturity Extension Effective Date (as provided in subparagraph (c) of this paragraph 15; and

(ii) the method for the repayment of principal that shall apply to such Advance from and after the respective Maturity Extension Effective Date shall be the same method that applied to such Advance immediately before such Maturity Extension Effective Date.

(c) In the event that the maturity of any Amortizing Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the principal installment that is due on the respective Maturity Extension Effective Date, in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such Maturity Extension Effective Date, shall nevertheless be due and payable on such Maturity Extension Effective Date notwithstanding such Maturity Extension.

(d) In the event that the maturity of any Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the basic interest rate for such Advance, from and after the respective Maturity Extension Effective Date, shall be the particular rate that is established by FFB, as of such Maturity Extension Effective Date, in accordance with the principles of subparagraph (c) of paragraph 6 of this Note.

(e) In the event that (1) the maturity of any Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, and (2) the Maturity Date for such extended Advance is a date that will occur before the fifth anniversary of the respective Maturity Extension Effective Date, then the prepayment/refinancing privilege described in subparagraph (b) of paragraph 16 of this Note shall apply automatically to such Advance.

(f) In the event that (1) the Borrower makes a Maturity Extension Election with respect to any Advance that has an Interim Maturity Date, and (2) the Borrower selects as the Maturity Date for such extended Advance a new Maturity Date that will occur on or after the fifth anniversary of the respective Maturity Extension Effective Date, then the Borrower must elect a prepayment/refinancing privilege for such extended Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note (provided, however, that each of the

references to "the Requested Advance Date for such Advance" in subparagraph (c) of paragraph 16 of this Note shall be deemed to be a reference to "the respective Maturity Extension Effective Date"). The Maturity Extension Election Notice delivered by the Borrower in connection with each such Maturity Extension Election must also specify the particular prepayment/refinancing privilege that the Borrower elects for the respective extended Advance. In the event that the Borrower elects for any such extended Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such extended Advance, from and after the respective Maturity Extension Effective Date, shall include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower elects, which price shall be established by FFB, as of such Maturity Extension Effective Date, in accordance with the principles of subparagraph (d) of paragraph 6 of this Note.

(g) In the event that the maturity of any Amortizing Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the outstanding principal amount of such Amortizing Advance, after the respective Maturity Extension Effective Date, shall be due and payable in accordance with this subparagraph (g).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after the respective Maturity Extension Effective Date shall be equal to the amount of the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such Maturity Extension Effective Date.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the level quarterly payments consisting of a principal installment and accrued interest that will be due after the respective Maturity Extension Effective Date shall be newly computed so that the amount of each such quarterly payment consisting of a principal installment and accrued interest (taking into account the new interest rate that is in effect for such Amortizing Advance from and after such Maturity Extension Effective Date) shall be substantially equal to the amount

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of every other quarterly payment consisting of a principal installment and accrued interest, and shall be sufficient, when added to all other such newly-computed level quarterly payments consisting of a principal installment and accrued interest, to repay the outstanding principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected an Interim Maturity Date for such Amortizing Advance).

(3) For each such Amortizing Advance, the quarterly installments of equal principal or graduated principal, or the newly-computed level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after the respective Maturity Extension Effective Date, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of either (A) the new Maturity Date for such extended Amortizing Advance, on which date the entire unpaid principal amount of such extended Amortizing Advance shall also be payable, subject to further Maturity Extensions if the new Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such extended Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(h) The maturity of each Advance may be extended more than once as provided in this paragraph 15, but upon the occurrence of the Final Maturity Date, no further Maturity Extensions may occur.

16. Prepayment/Refinancing Privileges.

(a) The prepayment/refinancing privilege described in subparagraph (b) of this paragraph 16 shall apply automatically to each Advance that has a Maturity Date that will occur before the fifth anniversary of the Requested Advance Date specified in the respective Advance Request. With respect to each Advance for which the Borrower has selected a Maturity Date that will occur on or after the fifth anniversary of the Requested Advance Date specified in the respective Advance Request, the Borrower must elect, at the time of requesting the respective Advance, the particular prepayment/refinancing privilege that is to apply to such Advance from between the options described in subparagraphs (b) and (c) of this paragraph 16.

(b) "Market Value Premium (or Discount)" -- The Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) at a prepayment or refinancing price that will include, in either case, a premium (or discount credit) equal to the difference between:

(1) the price for such Advance that would, if such Advance (including all unpaid interest accrued thereon through the date of prepayment or refinancing, as the case may be) were purchased by a third party and held to the Maturity Date of such Advance, produce a yield to the third-party purchaser for the period from the date of purchase to the Maturity Date of such Advance substantially equal to the interest rate that would be set on a loan from the Secretary of the Treasury to FFB to purchase an obligation having a payment schedule identical to the payment schedule of such Advance for the period from the date of prepayment or refinancing, as the case may be, to the Maturity Date of such Advance; and

(2) the sum of:

(A) the outstanding principal amount of such Advance on the date of prepayment or refinancing, as the case may be (after taking into account the payment of the principal installment (if any) that is due on date of prepayment or refinancing, as the case may be, in accordance with the principal repayment schedule that applied to such Advance immediately before such prepayment or refinancing); and

(B) all unpaid interest accrued on such Advance through the date of prepayment or refinancing, as the case may be,

(the difference between the price described in clause (1) of this subparagraph (b) and the sum of the amounts described in clause (2) of this subparagraph (b) being the "Market Value Premium (or Discount)"). The price described in clause (1) of this subparagraph (b) shall be calculated by the Secretary of the Treasury as of the close of business on the second Business Day before the date of prepayment or refinancing, as the case may be, using standard calculation methods of the United States Department of the Treasury.

(c) "Fixed Premium" -- The Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) at a prepayment or refinancing price that will include, in either case, a fixed premium determined by the Borrower having made, at the time of requesting such Advance, both the election and selection described in this subparagraph (c).

(1) "No-Call Period Option Election" -- First, the Borrower must elect whether or not the fixed premium prepayment/refinancing privilege that is to apply to the respective Advance shall include a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing (such time period being a "No-Call Period"). The options are:

(A) "yes" -- the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year No-Call Period, i.e., the Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) on or after (but not before):

(i) the fifth anniversary of the Requested Advance Date for such Advance (if such fifth anniversary date is a Payment Date); or

(ii) the first Payment Date to occur after the fifth anniversary of the Requested Advance Date for such Advance (if such fifth anniversary date is not a Payment Date),

(in either case, such date being the "First Call Date" for such Advance); or

(B) "no" -- the Borrower elects to have the fixed premium prepayment/refinancing privilege not include a 5-year No-Call Period, i.e., the Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) without a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing.

(2) "Premium Option Selection" -- Second the Borrower must select the particular fixed premium that will be

required in connection with any prepayment or refinancing of the respective Advance. The options are:

(A) "10 percent premium declining over 10 years" -- the price for any prepayment or refinancing of the respective Advance shall include a premium equal to 10 percent of the amount of principal being prepaid or refinanced, as the case may be, multiplied by a fraction:

(i) the numerator of which is the number of Payment Dates that occur between:

(aa) in the case of a prepayment, the date of prepayment (if such date is a Payment Date) or, the Payment Date immediately preceding the date of prepayment (if the date of prepayment is not a Payment Date); and, in the case of a refinancing, the date of refinancing, which date, in either case, shall be included in computing the number of Payment Dates; and

(bb) the earlier to occur of either:

(I) the Maturity Date that the Borrower selected for such Advance; or

(II) the tenth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the tenth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period),

which date, in either case, shall be excluded in computing the number of Payment Dates; and

(ii) the denominator of which is 40,

and no premium (x) on or after the tenth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the tenth anniversary of the Requested Advance Date (if the Borrower elected to have

the prepayment/refinancing privilege not include a 5-year No-Call Period), or (y) on the Maturity Date (if the Borrower selected a Maturity Date that will occur before the tenth anniversary of the First Call Date or the tenth anniversary of the Requested Advance Date, as the case may be);

(B) "5 percent premium declining over 5 years" -- the price for any prepayment or refinancing of the respective Advance shall include a premium equal to 5 percent of the amount of principal being prepaid or refinanced, as the case may be, multiplied by a fraction:

(i) the numerator of which is the number of Payment Dates that occur between:

(aa) in the case of a prepayment, the date of prepayment (if such date is a Payment Date) or the Payment Date immediately preceding the date of prepayment (if the date of prepayment is not a Payment Date), and, in the case of a refinancing, the date of refinancing, which date, in either case, shall be included in computing the number of Payment Dates; and

(bb) the earlier to occur of either:

(I) the Maturity Date that the Borrower selected for such Advance; or

(II) the fifth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the fifth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period),

which date, in either case, shall be excluded in computing the number of Payment Dates; and

(ii) the denominator of which is 20,

and no premium on or after the fifth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the fifth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period); or

(C) "par" -- the price for any prepayment or refinancing of the respective Advance shall include no premium.

17. Prepayments.

(a) The Borrower may elect to prepay all or any portion of the outstanding principal amount of any Advance made under this Note, or to prepay this Note in its entirety, in the manner, at the price, and subject to the limitations specified in this paragraph 17 (each such election being a "Prepayment Election").

(b) For each Prepayment Election in which the Borrower elects to prepay a particular amount of the outstanding principal of an Advance, the Borrower shall deliver to RUS written notification of the respective Prepayment Election, in the form of notification attached to this Note as Annex C-1 (each such notification being a "Prepayment Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to make the prepayment on such Advance (such date being the "Intended Prepayment Date" for such Advance), which date:

(A) must be a Business Day; and

(B) for any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date; and

(2) the amount of principal of the respective Advance that the Borrower intends to prepay, which amount may be either:

(A) the total outstanding principal amount of such Advance; or

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(B) an amount less than the total outstanding principal amount of such Advance (subject to subparagraph (g) of this paragraph 17) (any such amount being a "Portion").

(c) For each Prepayment Election in which the Borrower elects to have a particular amount of funds applied by FFB toward the prepayment of the outstanding principal of an Advance, the Borrower shall deliver to RUS written notification of the respective Prepayment Election, in the form of notification attached to this Note as Annex C-2 (each such notification also being a "Prepayment Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to make the prepayment on such Advance (such date being the "Intended Prepayment Date" for such Advance), which date:

(A) must be a Business Day; and

(B) for any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date; and

(2) the particular amount of funds that the Borrower elects to be applied by FFB toward a prepayment of the outstanding principal amount of such Advance.

(d) To be effective, a Prepayment Election Notice must be approved by RUS in writing, and such Prepayment Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the fifth Business Day before the date specified therein as the Intended Prepayment Date for the respective Advance or Portion.

(e) The Borrower shall pay to FFB a price for the prepayment of any Advance, any Portion of any Advance, or this Note in its entirety (such price being the "Prepayment Price" for such Advance or Portion or this Note, as the case may be) determined as follows:

(1) in the event that the Borrower elects to prepay the entire outstanding principal amount of any Advance, then the

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Borrower shall pay to FFB a Prepayment Price for such Advance equal to the sum of:

(A) the entire outstanding principal amount of such Advance on the Intended Prepayment Date;

(B) all unpaid interest (and Late Charges, if any) accrued on such Advance through the Intended Prepayment Date; and

(C) the amount of the premium or discount credit (if any) that is required under the particular prepayment/refinancing privilege that applies to such Advance;

(2) in the event that the Borrower elects to prepay a Portion of any Advance, then the Borrower shall pay to FFB a Prepayment Price for such Portion that would equal such Portion's pro rata share of the Prepayment Price that would be required for a prepayment of the entire outstanding principal amount of such Advance (determined in accordance with the principles of clause (1) of this subparagraph (e)); and

(3) in the event that the Borrower elects to prepay this Note in its entirety, then the Borrower shall pay to FFB an amount equal to the sum of the Prepayment Prices for all outstanding Advances (determined in accordance with the principles of clause (1) of this subparagraph (e)).

(f) Payment of the Prepayment Price for any Advance, any Portion of any Advance, or this Note in its entirety shall be due to FFB before 3:00 p.m. (Washington, D.C., time) on the Intended Prepayment Date for such Advance or Portion or this Note, as the case may be.

(g) Each prepayment of a Portion shall, as to the principal amount of such Portion, be subject to a minimum amount equal to \$100,000.00 of principal.

(h) In the event that the Borrower makes a Prepayment Election with respect to any Portion of an Amortizing Advance, then the Prepayment Price paid for such Portion shall be applied as provided in paragraph 14 of this Note and, with respect to application to outstanding principal, such Prepayment Price shall be applied to principal installments in the inverse order of maturity.

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(i) In the event that the Borrower makes a Prepayment Election with respect to any Portion of an Amortizing Advance, then the outstanding principal amount of such Amortizing Advance, after such partial prepayment, shall be due and payable in accordance with this subparagraph (i).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after such partial prepayment shall be equal to the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such partial prepayment.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the quarterly payments consisting of a principal installment and accrued interest that will be due after such partial prepayment shall be equal to the amount of the level debt service payments that were due in accordance with the level debt service payment schedule that applied to such Amortizing Advance immediately before such partial prepayment, and such payments shall be allocated by FFB between principal and accrued interest, as appropriate.

(3) For each such Amortizing Advance, the quarterly installments of equal principal or graduated principal, or level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after such partial prepayment, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of either (A) the Maturity Date for such Amortizing Advance, on which date the entire unpaid principal amount of such Amortizing Advance shall also be payable, subject to Maturity Extensions (as provided in paragraph 15 of this Note) if the Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(j) The Borrower may make more than one Prepayment Election with respect to an Advance, each such Prepayment Election being

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made with respect to a different Portion of such Advance, until such time as the entire principal amount of such Advance is repaid in full.

18. Refinancings.

(a) The Borrower may elect to refinance the outstanding principal amount of any Advance (but not any Portion) in the manner, at the price, and subject to the limitations specified in this paragraph 18 (each such election being a "Refinancing Election").

(b) Except under the circumstances described in subparagraph (d) of this paragraph 18, the Borrower shall deliver to FFB (with a copy to RUS) written notification of each Refinancing Election, in the form of notification attached to this Note as Annex D-1 (each such notification being a "Refinancing Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to refinance the respective Advance (such date being the "Intended Refinancing Date" for the respective Advance), which date:

(A) must be a Payment Date; and

(B) for any Advance for which the Borrower has selected a prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date;

(2) the amount of the outstanding principal of the respective Advance that the Borrower elects to refinance (subject to the clause (1) of subparagraph (e) of this paragraph 18); and

(3) the Maturity Date that the Borrower selects to be in effect for such principal amount after such refinancing, which date may be:

(A) the Maturity Date that is in effect for such Advance immediately before such refinancing; or

(B) a new Maturity Date that the Borrower selects in connection with such Refinancing Election, provided

that such new Maturity Date meets the criteria for Maturity Dates prescribed in paragraph 5 of this Note (provided, however, that for purposes of selecting a new Maturity Date in connection with a Refinancing Election, the reference to "the Requested Advance Date for the respective Advance" in subparagraph (c) of paragraph 5 of this Note shall be deemed to be a reference to "the respective Refinancing Effective Date").

(c) To be effective, a Refinancing Election Notice must be received by FFB on or before the fifth Business Day before the date specified therein as the Intended Refinancing Date.

(d) In the event that either of the circumstances described in clause (1) or (2) of the next sentence shall have occurred, then a Refinancing Election Notice (in the form of notice attached to this Note as Annex D-2), to be effective, must first be delivered to RUS for approval and be approved by RUS in writing, and such Refinancing Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the fifth Business Day before the date specified therein to be the Intended Refinancing Date. RUS approval of a Refinancing Election Notice will be required under either of the following circumstances:

(1) (A) payment of any amount owing under this Note is not made by the Borrower when and as due, (B) payment is made by RUS in accordance with the guarantee set forth at the end of this Note, and (C) RUS delivers notice to both the Borrower and FFB advising each of them that each Refinancing Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS; or

(2) FFB at any time delivers notice to both the Borrower and RUS advising each of them that each Refinancing Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS.

(e) The Borrower shall pay to FFB a price for the refinancing of any Advance (such price being the "Refinancing Price" for such Advance) equal to the sum of:

(1) the principal installment (if any) that is due on the particular Payment Date that the Borrower specified to be the Intended Refinancing Date, in accordance with the

RUS

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principal repayment schedule that applied to such Advance immediately before such refinancing;

(2) all unpaid interest (and Late Charges, if any) accrued on such Advance through the Intended Refinancing Date; and

(3) the amount of the premium (if any) that is required under the particular prepayment/refinancing privilege that applies to such Advance:

In the event that (A) the prepayment/refinancing privilege that applies to the particular Advance being refinanced is the privilege described in subparagraph (b) of paragraph 16 of this Note, and (B) the Market Value Premium (or Discount) that is to be included in the Refinancing Price for such Advance is a discount on such Advance, then such discount shall be applied by FFB in the manner requested by the Borrower in a written notice delivered by the Borrower to FFB and approved by RUS in writing.

(f) Payment of the Refinancing Price for any Advance shall be due to FFB before 3:00 p.m. (Washington, D.C., time) on the Intended Refinancing Date for such Advance.

(g) In the event that a Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB on or before the fifth Business Day before the Intended Refinancing Date specified therein, then the refinancing of the respective Advance shall become effective on such Intended Refinancing Date (in such event, the Intended Refinancing Date being the "Refinancing Effective Date"). In the event that a Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB after the fifth Business Day before the Intended Refinancing Date specified therein, then the refinancing of the respective Advance shall become effective on the fifth Business Day to occur after the day on which such Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB (in such event, the fifth Business Day to occur after the day on which such Refinancing Election Approval Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB being the "Refinancing Effective Date"), provided that the Borrower shall have paid to FFB, in addition to the Refinancing Price required under subparagraph (e) of this paragraph 18, the

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interest accrued from the Intended Refinancing Date through such Refinancing Effective Date.

(h) In the event that the Borrower makes a Refinancing Election with respect to any Advance, the basic interest rate for such Advance, from and after the respective Refinancing Effective Date, shall be the particular rate that is established by FFB, as of such Refinancing Effective Date, in accordance with the principles of subparagraph (c) of paragraph 6 of this Note.

(i) In the event that (1) the Borrower makes a Refinancing Election with respect to any Advance, and (2) the Borrower selects as the Maturity Date for such refinanced Advance either (A) the Maturity Date that is in effect for such Advance immediately before such refinancing, and such Maturity Date will occur before the fifth anniversary of the respective Refinancing Effective Date, or (B) a new Maturity Date that will occur before the fifth anniversary of the respective Refinancing Effective Date, then the prepayment/refinancing privilege described in subparagraph (b) of paragraph 16 of this Note shall apply automatically to such Advance.

(j) In the event that (1) the Borrower makes a Refinancing Election with respect to any Advance, and (2) the Borrower selects as the Maturity Date for such refinanced Advance either (A) the Maturity Date that is in effect for such Advance immediately before such refinancing, and such Maturity Date will occur on or after the fifth anniversary of the respective Refinancing Effective Date, or (B) a new Maturity Date that will occur on or after the fifth anniversary of the respective Refinancing Effective Date, then the Borrower must elect a prepayment/refinancing privilege for such refinanced Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note (provided, however, that each of the references to "the Requested Advance Date for such Advance" in subparagraph (c) of paragraph 16 of this Note shall be deemed to be a reference to "the respective Refinancing Effective Date"). The Refinancing Election Notice delivered by the Borrower in connection with each such Refinancing Election must also specify the particular prepayment/refinancing privilege that the Borrower elects for the respective refinanced Advance. In the event that the Borrower elects for any such refinanced Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such refinanced Advance, from and after the respective Refinancing Effective Date, shall include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower

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elects, which increment shall be established by FFB, as of such Refinancing Effective Date, in accordance with the principles of subparagraph (d) of paragraph 6 of this Note.

(k) In the event that the Borrower makes a Refinancing Election with respect to any Amortizing Advance, then the outstanding principal amount of such Amortizing Advance, after the respective Refinancing Effective Date, shall be due and payable in accordance with this subparagraph (k).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after the respective Refinancing Effective Date shall be equal to the amount of the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before the respective Refinancing Effective Date.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the level quarterly payments consisting of a principal installment and accrued interest that will be due after the respective Refinancing Effective Date shall be newly computed so that the amount of each such quarterly payment consisting of a principal installment and accrued interest (taking into account the new interest rate that applies to such Amortizing Advance from and after such Refinancing Effective Date) shall be substantially equal to the amount of every other quarterly payment consisting of a principal installment and accrued interest, and shall be sufficient, when added to all other such newly-computed level quarterly payments consisting of a principal installment and accrued interest, to repay the outstanding principal amount of such refinanced Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such refinanced Amortizing Advance that will occur before the Final Maturity Date).

(3) The quarterly installments of equal principal or graduated principal, or the newly-computed level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after the respective Refinancing

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Effective Date, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of (A) the new Maturity Date that the Borrower selected for such refinanced Amortizing Advance, on which date the entire unpaid principal amount of such refinanced Amortizing Advance shall also be payable, subject to Maturity Extensions (as provided in paragraph 15 of this Note) if the new Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such refinanced Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(l) The Borrower may make more than one Refinancing Election with respect to any Advance.

19. Rescission of Prepayment Elections and Refinancing Elections; Late Charges for Late Payments.

(a) The Borrower may rescind any Prepayment Election made in accordance with paragraph 17 of this Note or any Refinancing Election made in accordance with paragraph 18 of this Note, but only in accordance with this paragraph 19.

(b) The Borrower shall deliver to both FFB and RUS written notification of each rescission of a Prepayment Election or a Refinancing Election (each such notification being an "Election Rescission Notice") specifying the particular Advance for which the Borrower wishes to rescind such Prepayment Election or Refinancing Election, as the case may be, which specification must make reference to both:

(1) the particular Advance Identifier that FFB assigned to such Advance (as provided in the Agreement); and

(2) the RUS account number for such Advance.

The Election Rescission Notice may be delivered by facsimile transmission to FFB at (202) 622-0707 and to RUS at (202) 720-1401, or at such other facsimile number or numbers as either FFB or RUS may from time to time communicate to the Borrower.

(c) To be effective, an Election Rescission Notice must be received by both FFB and RUS not later than 3:30 p.m. (Washington, D.C., time) on the second Business Day before the Intended Prepayment Date or the Intended Refinancing Date, as the case may be.

(d) In the event that the Borrower (1) makes a Prepayment Election in accordance with paragraph 17 of this Note or a Refinancing Election in accordance with paragraph 18 of this Note, (2) does not rescind such Prepayment Election or Refinancing Election, as the case may be, in accordance with this paragraph 19, and (3) does not, before 3:00 p.m. (Washington, D.C., time) on the Intended Prepayment Date or Intended Refinancing Date, as the case may be, pay to FFB the Prepayment Price described in subparagraph (e) of paragraph 17 of this Note or Refinancing Price described in subparagraph (e) of paragraph 18 of this Note, as the case may be, then a Late Charge shall accrue on any such unpaid amount from the Intended Prepayment Date or Intended Refinancing Date, as the case may be, to the date on which payment is made, computed in accordance with the principles of paragraph 11 of this Note.

20. Amendments to Note.

To the extent not inconsistent with applicable law, this Note, for so long as FFB or its agent is the holder thereof, shall be subject to modification by such amendments, extensions, and renewals as may be agreed upon from time to time by FFB and the Borrower, with the approval of RUS.

21. Certain Waivers.

The Borrower hereby waives any requirement for presentment, protest, or other demand or notice with respect to this Note.

22. Note Effective Until Paid.

This Note shall continue in full force and effect until all principal outstanding hereunder, all interest accrued hereunder, all premiums (if any) payable under paragraphs 17 and 18 of this Note, all Late Charges (if any) payable under paragraphs 11 and 19 of this Note, and all fees (if any) payable under paragraph 9 of this Note have been paid in full.

23. RUS Guarantee of Note.

Upon execution of the guarantee set forth at the end of this Note (the "Guarantee"), the payment by the Borrower of all amounts due and payable under this Note, when and as due, shall be guaranteed by the United States of America, acting through RUS, pursuant to the Rural Electrification Act of 1936, as amended (codified at 7 U.S.C. § 901 et seq.). In consideration of the Guarantee, the Borrower promises to RUS to make all payments due under this Note when and as due.

24. Security Instrument; RUS as "Holder" of Note for Purposes of the Security Instrument.

This Note is one of several notes permitted to be executed and delivered by, and is entitled to the benefits and security of, the particular security instrument or instruments specified on page 1 of this Note (such security instrument or instruments, as it or they may have heretofore been, and as it or they may hereafter be, amended, supplemented, restated, or consolidated from time to time in accordance with its or their terms, being, collectively, the "Security Instrument"), whereby the Borrower pledged and granted a security interest in certain property of the Borrower, described therein, to secure the payment of and performance of certain obligations owed to REA, predecessor to RUS, or to RUS, as the case may be, as set forth in the Security Instrument. For purposes of the Security Instrument, RUS shall be considered to be, and shall have the rights, powers, privileges, and remedies of, the holder of this Note.

25. Guarantee Payments; Reimbursement.

If RUS makes any payment, pursuant to the Guarantee, of any amount due and payable under this Note, when and as due, each and every such payment so made shall be deemed to be a payment hereunder; provided, however, that no payment by RUS pursuant to the Guarantee shall be considered a payment for purposes of determining the existence of a failure by the Borrower to perform its obligation to RUS to make all payments under this Note when and as due. RUS shall have any rights by way of subrogation, agreement or otherwise which arise as a result of such payment pursuant to the Guarantee and as provided in the reimbursement note executed and delivered by the Borrower to the United States of America, acting through RUS, to evidence the Borrower's obligation to reimburse RUS for payment made by RUS pursuant to the Guarantee.

26. Default and Enforcement.

In case of a default by the Borrower under this Note or a the occurrence of an event of default under the Security Instrument, then, in consideration of the obligation of RUS under the Guarantee, in that event, to make payments to FFB as provided in this Note, RUS, in its own name, shall have all rights, powers, privileges, and remedies of the holder of this Note, in accordance with the terms of this Note and the Security Instrument, including, without limitation, the right to enforce or collect all or any part of the obligation of the Borrower under this Note or arising as a result of the Guarantee, to file

proofs of claim or any other document in any bankruptcy, insolvency, or other judicial proceeding, and to vote such proofs of claim.

27. Acceleration.

The entire unpaid principal amount of this Note, and all interest thereon, may be declared, and upon such declaration shall become, due and payable to RUS, under the circumstances described, and in the manner and with the effect provided, in the Security Instrument.

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

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

(name of Borrower)

BY:

Signature: SAMPLE - NOT FOR
 EXECUTION

Print Name: _____

Title: Chairman

ATTEST:

Signature: _____

Print Name: _____

Title: Secretary

(SEAL)

RUS GUARANTEE

The United States of America, acting through the Administrator of the Rural Utilities Service ("RUS"), successor to the Administrator of the Rural Electrification Administration ("REA"), hereby guarantees to the Federal Financing Bank, its successors and assigns ("FFB"), all payments of principal, interest, premium (if any), and late charges (if any), when and as due in accordance with the terms of the Note dated **September 30, 2020**, made by **SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION** (the "Borrower") payable to FFB, to which this Guarantee is attached (such note being the "Note"), with interest on the principal until paid, irrespective of (i) acceleration of such payments under the terms of the Note, or (ii) receipt by RUS of any sums or property from its enforcement of its remedies for the Borrower's default.

This Guarantee is issued pursuant to section 306 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 936), section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. 2285), and the Note Purchase Commitment and Servicing Agreement dated as of January 1, 1992, between FFB and REA, as amended by certain amendments thereto including, without limitation, the Fourth Amendment dated as of December 5, 1994, between FFB and RUS.

UNITED STATES OF AMERICA

By: SAMPLE - NOT FOR EXECUTION

Name:

Title: Administrator of the Rural Utilities Service, successor to the Administrator of the Rural Electrification Administration

Date:

RUS GUARANTEE (New Loan Note or Substitution Note)

ANNEX A
TO
NEW LOAN NOTE

FORM
OF
ADVANCE REQUEST
(RUS APPROVAL REQUIRED)

ADVANCE REQUEST (RUS APPROVAL REQUIRED)

REFER TO RURAL UTILITIES SERVICE (RUS) REGULATIONS AND INSTRUCTIONS FOR A DESCRIPTION OF (1) THE OTHER FORMS AND MATERIALS THAT ARE REQUIRED IN CONNECTION WITH EACH REQUEST FOR AN ADVANCE, AND (2) THE TIME LIMITS FOR SUBMITTING THOSE FORMS AND MATERIALS AND THIS ADVANCE REQUEST TO RUS.

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM (TOGETHER WITH ALL OTHER FORMS AND MATERIAL REQUIRED BY RUS) TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

(10-01)

ADVANCE REQUEST

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

The undersigned, as an authorized officer of the Borrower, hereby requests FFB to make an advance of funds ("this Advance") under, pursuant to, and in accordance with the applicable terms of the Note.

The undersigned further requests that this Advance be made as follows:

1. Requested Advance Amount: \$ _____ 3

2. Requested Advance Date: _____ 4

3. Wire Instructions:

A. CORRESPONDENT BANK (if any) FOR PAYEE'S BANK:

Name of financial institution _____

Address of financial institution _____

ABA number of financial institution _____

B. PAYEE'S BANK AND ACCOUNT:

Name of financial institution _____

Address of financial institution _____

ABA number of financial institution _____

Account name _____

Account number _____

Taxpayer ID number _____

4. Maturity Date: _____ 5

5. Principal Repayment Method:

[SELECT 1 OF THE FOLLOWING 3 METHODS FOR THE REPAYMENT OF PRINCIPAL ONLY IF THE MATURITY DATE SELECTED FOR THIS ADVANCE WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE.]

- "P" for the "equal principal installments" method
- "G" for "graduated principal installments" method
- "L" for the "level debt service" method



6. Prepayment/Refinancing Privilege:

[ELECT 1 OF THE FOLLOWING 2 PAYMENT/REFINANCING PRIVILEGES ONLY IF THE MATURITY DATE SELECTED FOR THIS ADVANCE WILL OCCUR ON OR AFTER THE FIFTH ANNIVERSARY OF THE REQUESTED ADVANCE DATE.]

"M" for the "market value premium (or discount)" privilege

"F" for the "fixed premium" privilege

o No-Call Period Option Election:

[ELECT 1 OF THE FOLLOWING 2 NO-CALL PERIOD OPTIONS ONLY IF A "FIXED PREMIUM" PRIVILEGE IS ELECTED FOR THIS ADVANCE.]

"Y" for "yes," if the privilege is to include a 5-year no-call period

"N" for "no," if the privilege is not to include a 5-year no-call period

o Premium Option Selection:

[SELECT 1 OF THE FOLLOWING 3 PREMIUM OPTIONS ONLY IF A "FIXED PREMIUM" PRIVILEGE IS ELECTED FOR THIS ADVANCE.]

"X" for 10% premium declining over 10 years

"V" for 5% premium declining over 5 years

"P" for par (no premium)

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Advance Request on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
ADVANCE REQUEST**

Notice is hereby given to FFB that the preceding Advance Request made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

**FOR ACCOUNTING
USE ONLY:**

RUS Budget
Account
Number

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

- ¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.
- ²Insert the "Note Identifier" that FFB assigned to the Note (as provided in the Agreement).
- ³Insert the particular amount of funds that the Borrower requests to be advanced.
- ⁴Insert the particular calendar date that the Borrower requests to be date on which this Advance is to be made.
- ⁵Insert the particular calendar date that the Borrower selects to be the date on which this Advance is to mature. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the Requested Advance Date.
- ⁶Insert in the box "P" if the Borrower selects the "equal principal installments" method as the method for the repayment of principal that is to apply to this Advance. Insert in the box "G" if the Borrower selects the "graduated principal installments" method as the method for the repayment of principal that is to apply to this Advance. Insert in the box "L" if the Borrower selects the "level debt service" method as the method for the repayment of principal that is to apply to this Advance.
- ⁷Insert in the box "M" if the Borrower elects to have the "market value premium (or discount)" prepayment privilege apply to this Advance. Insert in the box "F" if the Borrower elects to have a "fixed premium" prepayment/refinancing privilege apply to this Advance.
- ⁸Insert in the box "Y" if the Borrower elects to have the fixed premium prepayment/refinancing privilege that is to apply to this Advance include a 5-year no-call period during which this Advance will not be eligible for prepayment or refinancing. Insert in the box "N" if the Borrower elects to have the fixed premium prepayment/refinancing privilege that is to apply to this Advance not include any 5-year no-call period.
- ⁹Insert in the box "X" if the Borrower selects a 10% premium declining over 10 years as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance. Insert in the box "V" if the Borrower selects a 5% premium declining over 5 years as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance. Insert in the box "P" if the Borrower selects par (no premium) as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance.

RUS

ANNEX B-1

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

(10-01)

MATURITY EXTENSION ELECTION NOTICE

PART 1 OF THIS FORM HAS BEEN COMPLETED BY RUS. THE BORROWER SHOULD COMPLETE PARTS 2 AND 3 OF THIS FORM ONLY FOR THOSE PARTICULAR ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WITH RESPECT TO WHICH THE BORROWER ELECTS (1) TO HAVE THE MATURITY EXTENDED TO A NEW MATURITY DATE OTHER THAN THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND/OR (2) TO HAVE EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO ANY ADVANCE FOR WHICH NO METHOD FOR REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, OR, IF EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT FOR ANY ADVANCE IDENTIFIED IN PART 1 OF THIS FORM, TO CHANGE FROM THAT METHOD TO THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL OF THAT ADVANCE.

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO FFB AT THE FOLLOWING ADDRESS:

Manager
Federal Financing Bank
Room SC 1, Main Treasury Building
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

DELIVER A COPY OF THIS FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

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MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

Each of the advances of funds ("Advances") identified in this Part 1 will mature on _____ (the "Maturity Date").

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

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Part 2:

For each of the Advances identified in this Part 2, the respective amount of principal that the Borrower will pay on the Maturity Date is as follows:

<u>FFB ADVANCE IDENTIFIER¹</u>	<u>PRINCIPAL INSTALLMENT DUE²</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT³</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID⁴</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that the maturity of each of the Advances identified in Part 2 be extended as follows:

<u>FFB ADVANCE IDENTIFIER⁵</u>	<u>AMOUNT OF PRINCIPAL TO BE EXTENDED⁶</u>	<u>NEW MATURITY DATE⁷</u>	<u>PRINCIPAL REPAYMENT METHOD⁸</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE⁹</u>	<u>5-YEAR NO-CALL PERIOD¹⁰</u>	<u>PREMIUM OPTION¹¹</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Maturity Extension Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

THE BORROWER SHOULD NOT COMPLETE THIS FORM OR DELIVER IT TO FFB OR RUS IF THE BORROWER DESIRES (1) TO HAVE THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, TO HAVE THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, TO HAVE THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

IF THE BORROWER DOES NOT RETURN THIS FORM TO FFB OR RUS, (1) THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WILL BE EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL WILL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE WILL CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

¹Complete 1 line in Part 2 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar

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quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

²For each Advance, insert the "Principal Installment Due" for the respective Advance, as specified in Part 1.

³The Borrower has the option of making an additional payment of principal on the Maturity Date without any premium being charged. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Maturity Date.

⁴For each Advance, insert the total amount of principal that will be paid on the Maturity Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance, as specified in Part 1, and the amount (if any) inserted by the Borrower as an "Optional Additional Principal Payment."

⁵Complete 1 line in Part 3 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

⁶For each Advance, insert the amount of principal for which the maturity is to be extended. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance, as specified in Part 1, and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

⁷For each Advance, insert the particular calendar date that the Borrower selects to be the new Maturity Date to be in effect for the respective Advance after the Maturity Extension. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the last Maturity Extension.

⁸Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

⁹Select 1 of the following 2 types of prepayment/refinancing privilege for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁰Select 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or

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refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹¹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

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APPENDIX 1
TO
MATURITY EXTENSION ELECTION NOTICE
(for identifying additional Advances with respect
to which the Borrower elects to extend the maturity)

Part 1 (To be completed by RUS):

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL TO BE EXTENDED</u>	<u>AMOUNT OF NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>TYPE OF 5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ANNEX B-2

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

(RUS APPROVAL REQUIRED)

MATURITY EXTENSION ELECTION NOTICE (RUS APPROVAL REQUIRED)

PART 1 OF THIS FORM HAS BEEN COMPLETED BY RUS. THE BORROWER SHOULD COMPLETE PARTS 2 AND 3 OF THIS FORM ONLY FOR THOSE PARTICULAR ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WITH RESPECT TO WHICH THE BORROWER ELECTS (1) TO HAVE THE MATURITY EXTENDED TO A NEW MATURITY DATE OTHER THAN THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND/OR (2) TO HAVE EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO ANY ADVANCE FOR WHICH NO METHOD FOR REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, OR, IF EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT FOR ANY ADVANCE IDENTIFIED IN PART 1 OF THIS FORM, TO CHANGE FROM THAT METHOD TO THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL OF THAT ADVANCE.

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

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MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

Each of the advances of funds ("Advances") identified in this Part 1 will mature on _____ (the "Maturity Date").

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Part 2:

For each of the Advances identified in this Part 2, the respective amount of principal that the Borrower will pay on the Maturity Date is as follows:

<u>FFB ADVANCE IDENTIFIER¹</u>	<u>PRINCIPAL INSTALLMENT DUE²</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT³</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID⁴</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that the maturity of each of the Advances identified in Part 2 be extended as follows:

<u>FFB ADVANCE IDENTIFIER⁵</u>	<u>AMOUNT OF PRINCIPAL TO BE EXTENDED⁶</u>	<u>NEW MATURITY DATE⁷</u>	<u>PRINCIPAL REPAYMENT METHOD⁸</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE⁹</u>	<u>5-YEAR NO-CALL PERIOD¹⁰</u>	<u>PREMIUM OPTION¹¹</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Maturity Extension Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
MATURITY EXTENSION ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Maturity Extension Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

THE BORROWER SHOULD NOT COMPLETE THIS FORM OR DELIVER IT TO FFB OR RUS IF THE BORROWER DESIRES (1) TO HAVE THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, TO HAVE THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, TO HAVE THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

IF THE BORROWER DOES NOT RETURN THIS FORM TO FFB OR RUS, (1) THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WILL BE EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE; AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL WILL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE WILL CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

¹Complete 1 line in Part 2 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

²For each Advance, insert the "Principal Installment Due" for the respective Advance, as specified in Part 1.

³The Borrower has the option of making an additional payment of principal on the Maturity Date without any premium being charged. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Maturity Date.

⁴For each Advance, insert the total amount of principal that will be paid on the Maturity Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance, as specified in Part 1, and the amount (if any) inserted by the Borrower as an "Optional Additional Principal Payment."

⁵Complete 1 line in Part 3 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any

Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

⁶For each Advance, insert the amount of principal for which the maturity is to be extended. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance, as specified in Part 1, and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

⁷For each Advance, insert the particular calendar date that the Borrower selects to be the new Maturity Date to be in effect for the respective Advance after the Maturity Extension. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the last Maturity Extension.

⁸Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

⁹Select 1 of the following 2 types of prepayment/refinancing privilege for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁰Select 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹¹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

APPENDIX 1
TO
MATURITY EXTENSION ELECTION NOTICE
(for identifying additional Advances with respect
to which the Borrower elects to extend the maturity)

Part 1 (To be completed by RUS):

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL TO BE EXTENDED</u>	<u>AMOUNT OF NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>TYPE OF 5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ANNEX C-1

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)

(RUS APPROVAL REQUIRED)

**PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)
(RUS APPROVAL REQUIRED)**

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

(10-01)

PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to prepay all or a portion of the outstanding principal amount of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER¹</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

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Part 2:

The Borrower intends to prepay all or a portion of the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Prepayment Date"):

Part 3:

For each of the Advances identified in Part 1, the respective amount of principal that the Borrower intends to prepay on the Intended Prepayment Date is as follows:

<u>FFB ADVANCE IDENTIFIER⁹</u>	<u>PRINCIPAL INSTALLMENT DUE (if any)¹⁰</u>	<u>AMOUNT OF PRINCIPAL TO BE PREPAID¹¹</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID¹²</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Prepayment Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

 (Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

NOTICE OF RUS APPROVAL OF
PREPAYMENT ELECTION NOTICE

Notice is hereby given to FFB that the preceding Prepayment Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____
Name: _____
Title: _____
Date: _____

INSTRUCTIONS

¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

³Complete 1 line in Part 1 for each Advance that the Borrower intends to prepay in whole or in part. For each Advance, insert the "FFB Advance Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

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⁷Insert the "Outstanding Principal Amount" of each Advance specified in Part 1 as of the day before the date on which the Borrower intends to make a prepayment on the respective Advances.

⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to prepay the Advances specified in Part 1. This date (a) must be a day on which FFB and the Federal Reserve Bank of New York are both open for business, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

⁹Complete 1 line in Part 3 for each Advance identified in Part 1.

¹⁰If the Intended Prepayment Date is the last day of a calendar quarter and an installment of principal of any Advance is due on such date, insert the respective "Principal Installment Due" for such Advance on the Intended Prepayment Date as specified in the most recent billing notice delivered by RUS to the Borrower.

¹¹For each Advance, insert the amount of principal that will be prepaid on the Intended Prepayment Date.

¹²For each Advance, insert the total amount of principal that will be paid on the Intended Prepayment Date. That amount must be equal to the sum of any amount inserted by the Borrower in Part 3 as the "Principal Installment Due (if any)" for the respective Advance and the amount inserted by the Borrower in Part 3 as the "Amount of Principal to Be Prepaid" for such Advance.

APPENDIX 1
TO
PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)
(for identifying additional Advances that
the Borrower elects to prepay in whole or in part)

Part 1:

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE (if any)</u>	<u>AMOUNT OF PRINCIPAL TO BE PREPAID</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

ANNEX C-2

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE

FIXED SUM TO BE APPLIED

(RUS APPROVAL REQUIRED)

**PREPAYMENT ELECTION NOTICE
FIXED SUM TO BE APPLIED
(RUS APPROVAL REQUIRED)**

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS – telephone no.: (202) 720-6436
Northern Regional Division, RUS – telephone no.: (202) 720-1420
Southern Regional Division, RUS – telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS – telephone no.: (202) 690-4673
Southeast Area, RUS – telephone no.: (202) 720-0715
Northwest Area, RUS – telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

PREPAYMENT ELECTION NOTICE
FIXED SUM TO BE APPLIED

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to prepay all or a portion of the outstanding principal amount of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER³</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

The Borrower intends to prepay all or a portion of the outstanding principal amount of the Advances identified in Part 1 on the following date (such date being the "Intended Prepayment Date"):

_____ 8

Part 3:

The Borrower elects to have the following amount of funds applied by FFB toward a prepayment of the outstanding principal amount of the Advances identified in Part 1, in the order in which they appear in Part 1:

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Prepayment Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

NOTICE OF RUS APPROVAL OF
PREPAYMENT ELECTION NOTICE

Notice is hereby given to FFB that the preceding Prepayment Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____
Name: _____
Title: _____
Date: _____

INSTRUCTIONS

¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

³Complete 1 line in Part 1 for each Advance that the Borrower intends to prepay in whole or in part. For each Advance, insert the "FFB Advance Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

⁷ Insert the "Outstanding Principal Amount" of each Advance specified in Part 1 as of the day before the date on which the Borrower intends to make a prepayment on the respective Advances.

⁸ Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to prepay the Advances specified in Part 1. This date (a) must be a day on which FFB and the Federal Reserve Bank of New York are both open for business, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

⁹ Insert the particular amount of funds that the Borrower elects to be applied by FFB toward a prepayment of the outstanding principal amount of the Advances identified in Part 1, in the order in which they appear in Part 1.

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APPENDIX 1
 TO
 PREPAYMENT ELECTION NOTICE
 FIXED SUM TO BE APPLIED
 (for identifying additional Advances that
 the Borrower elects to prepay in whole or in part)

Part 1:

<u>FFB.</u> <u>ADVANCE</u> <u>IDENTIFIER</u>	<u>RUS</u> <u>ACCOUNT</u> <u>NUMBER</u>	<u>ORIGINAL</u> <u>ADVANCE</u> <u>DATE</u>	<u>ORIGINAL</u> <u>ADVANCE</u> <u>AMOUNT</u>	<u>OUTSTANDING</u> <u>PRINCIPAL</u> <u>AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

ANNEX D-1

TO

NEW LOAN NOTE

FORM

OF

REFINANCING ELECTION NOTICE

REFINANCING ELECTION NOTICE

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO FFB AT THE FOLLOWING ADDRESS:

Manager
Federal Financing Bank
Room SC 1, Main Treasury Building
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

DELIVER A COPY OF THIS FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

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REFINANCING ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to refinance the outstanding principal amount of each of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER³</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

The Borrower intends to refinance the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Refinancing Date"):

_____ 8

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For each of the Advances identified in Part 1, the Borrower intends to pay on the Intended Refinancing Date the following amount of principal:

<u>FFB ADVANCE IDENTIFIER⁹</u>	<u>PRINCIPAL INSTALLMENT DUE¹⁰</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT¹¹</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID¹²</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that each of the Advances identified in Part 1 is to be refinanced as follows:

<u>FFB ADVANCE IDENTIFIER¹³</u>	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED¹⁴</u>	<u>NEW MATURITY DATE¹⁵</u>	<u>PRINCIPAL REPAYMENT METHOD¹⁶</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE¹⁷</u>	<u>5-YEAR NO-CALL PERIOD¹⁸</u>	<u>PREMIUM OPTION¹⁹</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Refinancing Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

³Complete line in Part 1 for each Advance that the Borrower intends to refinance. For each Advance, insert the "FFB Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

⁷For each Advance, insert the "Outstanding Principal Amount" of the respective Advance as of the day before the Intended Refinancing Date (i.e., the outstanding principal amount of such Advance before the Borrower pays the "Principal Installment Due" for such Advance inserted by the Borrower in Part 2.

⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to refinance the Advances specified in Part 1. This date (a) must be the last day of a calendar quarter, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/ refinancing privilege that includes a 5-year period during which such Advance

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shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

⁹Complete 1 line in Part 2 for each Advance identified in Part 1.

¹⁰For each Advance, insert the "Principal Installment Due" for the respective Advance on the Intended Refinancing Date as specified in the most recent billing notice delivered by RUS to the Borrower.

¹¹The Borrower has the option of making an additional payment of principal on the Intended Refinancing Date without any additional premium being charged for such additional payment of principal. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Intended Refinancing Date.

¹²For each Advance, insert the total amount of principal that will be paid on the Intended Refinancing Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance inserted by the Borrower in Part 2 and any amount inserted by the Borrower as an "Optional Additional Principal Payment."

¹³Complete 1 line in Part 3 for each Advance.

¹⁴For each Advance, insert the amount of principal that is to be refinanced. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance inserted by the Borrower in Part 1 and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

¹⁵For each Advance, insert the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature after the refinancing. This date may be either the same maturity date that was in effect for the respective Advance immediately before the refinancing or a new maturity date. If the Borrower selects a new maturity date for the respective Advance, this date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the refinancing.

¹⁶Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

¹⁷Elect 1 of the following 2 types of prepayment/refinancing privileges for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁸Elect 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹⁹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"),

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a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

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APPENDIX 1
TO
REFINANCING ELECTION NOTICE
(for identifying additional Advances
that the Borrower elects to refinance)

Part 1:

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>ADDITIONAL PRINCIPAL PAYMENT</u>	<u>PRINCIPAL AMOUNT TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED</u>	<u>NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ANNEX D-2

TO

NEW LOAN NOTE

FORM

OF

REFINANCING ELECTION NOTICE

(RUS APPROVAL REQUIRED)

REFINANCING ELECTION NOTICE (RUS APPROVAL REQUIRED)

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

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REFINANCING ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to refinance the outstanding principal amount of each of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER³</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

The Borrower intends to refinance the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Refinancing Date"):

_____ 8

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For each of the Advances identified in Part 1, the Borrower intends to pay on the Intended Refinancing Date the following amount of principal:

<u>FFB ADVANCE IDENTIFIER⁹</u>	<u>PRINCIPAL INSTALLMENT DUE¹⁰</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT¹¹</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID¹²</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that each of the Advances identified in Part 1 is to be refinanced as follows:

<u>FFB ADVANCE IDENTIFIER¹³</u>	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED¹⁴</u>	<u>NEW MATURITY DATE¹⁵</u>	<u>PRINCIPAL REPAYMENT METHOD¹⁶</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE¹⁷</u>	<u>5-YEAR NO-CALL PERIOD¹⁸</u>	<u>PREMIUM OPTION¹⁹</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Refinancing Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____
Name: _____
Title: _____
Date: _____

**NOTICE OF RUS APPROVAL OF
REFINANCING ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Refinancing Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____
Name: _____
Title: _____
Date: _____

INSTRUCTIONS

- ¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.
- ²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).
- ³Complete 1 line in Part 1 for each Advance that the Borrower intends to refinance. For each Advance, insert the "FFB Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.
- ⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.
- ⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.
- ⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).
- ⁷For each Advance, insert the "Outstanding Principal Amount" of the respective Advance as of the day before the Intended Refinancing Date (i.e., the outstanding principal amount of such Advance before the Borrower pays the "Principal Installment Due" for such Advance inserted by the Borrower in Part 2.
- ⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to refinance the Advances specified in Part 1. This date (a) must be the last day of a calendar quarter, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.
- ⁹Complete 1 line in Part 2 for each Advance identified in Part 1.
- ¹⁰For each Advance, insert the "Principal Installment Due" for the respective Advance on the Intended Refinancing Date as specified in the most recent billing notice delivered by RUS to the Borrower.
- ¹¹The Borrower has the option of making an additional payment of principal on the Intended Refinancing Date without any additional premium being charged for such additional payment of principal. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Intended Refinancing Date.
- ¹²For each Advance, insert the total amount of principal that will be paid on the Intended Refinancing Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance inserted by the Borrower in Part 2 and any amount inserted by the Borrower as an "Optional Additional Principal Payment."
- ¹³Complete 1 line in Part 3 for each Advance.
- ¹⁴For each Advance, insert the amount of principal that is to be refinanced. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance inserted by the Borrower in Part 1 and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

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¹⁵For each Advance, insert the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature after the refinancing. This date may be either the same maturity date that was in effect for the respective Advance immediately before the refinancing or a new maturity date. If the Borrower selects a new maturity date for the respective Advance, this date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the refinancing.

¹⁶Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

¹⁷Elect 1 of the following 2 types of prepayment/refinancing privileges for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁸Elect 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹⁹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

APPENDIX 1
TO
REFINANCING ELECTION NOTICE
(for identifying additional Advances
that the Borrower elects to refinance)

Part 1:

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>ADDITIONAL PRINCIPAL PAYMENT</u>	<u>PRINCIPAL AMOUNT TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED</u>	<u>NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(FFB-REIM.NTE)
5/97

KENTUCKY 0054-BE48 WAYNE

FFB Note Identifier:

RUS Note Identifier:

Somerset, Kentucky

September 30, 2020

REIMBURSEMENT NOTE

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (the "Borrower"), which term includes any successors or assigns, a corporation organized and existing under the laws of the Commonwealth of Kentucky, for value received, promises to pay on demand to the UNITED STATES OF AMERICA (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"), at the United States Treasury, Washington, D.C., a sum equal to:

1. all amounts, including, without limitation, principal and interest (the "Reimbursed Amount"), paid by the Government from time to time pursuant to that certain guarantee by RUS (the "RUS Guarantee"), made by RUS to the Federal Financing Bank ("FFB") of amounts payable to FFB under a note dated September 30, 2020, made by the Borrower payable to FFB and guaranteed by RUS (the "FFB Note") pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq.), Section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. ' 2285), and the Note Purchase Commitment and Servicing Agreement, as amended and as it may be amended, supplemented, or restated from time to time, dated as of January 1, 1992, between FFB and RUS (all such amounts hereinafter collectively called the "Principal Amount"), and
2. with interest on the Principal Amount from the respective date of such payment by RUS to FFB, at the Late Charge Rate as that term is defined in the FFB Note, and
3. administrative costs and penalty charges assessed in accordance with applicable regulations, and
4. any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Security Instrument, as hereinafter defined.

The obligations of the Borrower hereunder are absolute and unconditional, irrespective of any defense or any right to set off, recoupment or counterclaim it might otherwise have against the Government.

So long as FFB has received all amounts then due to it under the RUS Guarantee, the Borrower agrees to pay all amounts due on this Note directly to RUS. Nothing herein shall limit the Government's rights of subrogation which may arise as a result of payments made by RUS pursuant to the RUS Guarantee.

This Note is one of several notes permitted to be executed and delivered by, and is entitled to the benefits and security of, the Restated Mortgage and Security Agreement, dated as of September 30, 2020, made by and among the Borrower, the Government, National Rural Utilities Cooperative Finance Corporation and CoBank, ACB, as it may have heretofore been, or as it may hereinafter be, amended, supplemented, restated, or consolidated from time to time in accordance with its terms, being, collectively, the Security Instrument (the "Security Instrument"). The Security Instrument provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Security Instrument for a description of the property pledged, the nature and extent of the security and the rights, powers, privileges, and remedies of, the holders of notes with respect thereto.

Neither the execution and delivery of this Note by the Borrower to the Government, nor the failure of the Government to exercise any of its rights, powers, privileges or remedies under the Security Instrument shall be deemed

to be a waiver of any right, power, privilege or remedy of the Government, as a holder of this Note, under the Security Instrument.

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 attested by its officers thereunto duly authorized, all as of the day and year first above written.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

By: SAMPLE - NOT FOR EXECUTION

Name: _____

Title _____

(Seal)

Attest:

Secretary

EXHIBIT B

EQUAL OPPORTUNITY CONTRACT PROVISIONS

During the performance of this contract, the contractor agrees as follows:

- (a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.
- (b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex or national origin.
- (c) The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (d) The contractor shall comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- (e) The contractor shall furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to his books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- (f) In the event of the contractor's noncompliance with the non-discrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.
- (g) The contractor shall include the provisions of paragraphs (a) through (f) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

EXHIBIT C-1

**MANAGER'S CERTIFICATE REQUIRED UNDER LOAN
CONTRACT SECTION 6.14 FOR ADDITIONAL NOTES**

On behalf of _____
Name of Borrower

I hereby certify that the Additional Note or Notes to be issued under Section 2.01 of the Mortgage on or about _____ meet all of the requirements of _____
Date Note or Notes are to be Signed

Section 6.14 of the Loan Contract, namely:

(a) The weighted average life of the loan evidenced by such Notes (_____ years) does not exceed the weighted average of the expected remaining useful lives of the assets being financed (_____ years) as evidenced by the attached calculation of said weighted average lives.

(b) The principal of the loan evidenced by such Notes shall either be [check one and provide evidence in the second case:

(1) repaid based on level payments of principal and interest throughout the life of the loan, or

(2) amortized at a rate that shall yield a weighted average life that is not greater than the weighted average life that would result from level payments of principal and interest throughout the life of the loan as evidenced by the attached analysis of said weighted average lives.

(c) The principal of the loan evidenced by such Notes has a maturity of not less than 5 years.

SAMPLE - NOT FOR EXECUTION

Signed

Date

Name

Title

Name and Address of Borrower:

EXHIBIT C-2

MANAGER'S CERTIFICATE REQUIRED UNDER LOAN CONTRACT

SECTION 6.14 FOR REFINANCING NOTES

On behalf of _____
Name of Borrower

I hereby certify that the Additional Note or Notes to be issued under Section 2.02 of the Mortgage on or about

_____ meet the requirement of
Date Note or Notes are to be Signed

Section 6.14 of the Loan Contract that the weighted average life of such Notes is not greater than the weighted average remaining life of the Notes being refinanced, as evidenced by the attached calculation of said weighted average lives.

SAMPLE - NOT FOR EXECUTION

Signed

Date

Name

Title

Name and Address of Borrower:

Monticello Note

Original note: \$4,400,000

Interest Rate: 4.75%

Term: 30 years (Ends December 31, 2037)

1st Payment: December 31, 2008

Current terms: Not pre-payable

Outstanding Principal balance at January 31, 2014: \$3,520,000.04

Current Rates at RUS: (At 2/4/2014)

10 year- 2.50%

30 year- 3.18%

Questions:

1. Would they allow us to pay in full?
2. Would they allow us to "refinance" to a lower interest rate and still pay off in 2037?
3. Would they want their money quicker (more dollars annually) with a shortened term
4. We could do a revenue neutral restructure by reducing the interest rate, but increasing the principal payment (thus shortening the term slightly)

PROMISSORY NOTE

\$4,400,000.00

Monticello, Kentucky
December 31st, 2007

For Value Received, the undersigned, **SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**, of P.O. Box 910, Somerset, Kentucky 42502, promises to pay to the order of **THE CITY OF MONTICELLO, KENTUCKY**, of P.O. Box 550, 157 South Main Street, Monticello, Kentucky 42633, its successors and assigns, the principal sum of **FOUR MILLION FOUR HUNDRED THOUSAND---00/100 DOLLARS (\$4,400,000.00)**, with interest thereon at the rate of four and three quarters (4.75%) per cent per annum until paid, being due and payable in 30 annual installments, with said annual principal installments being in the amount of \$146,666.67 plus accumulated interest on the unpaid principal or balance, with the first of said annual installment of \$146,666.67 plus interest at 4.75% per annum on the unpaid balance to be due and owing on the 31st day of December, 2008 and with a like annual principal installment plus interest being due and payable on each consecutive and successive year thereafter on the 31st day of December, with the final annual installment being due and payable on the 31st day of December, 2037, which note shall not be pre-payable.

If a default occurs in the payment of any installment under this note when due and owing, payee shall send payor a thirty (30) day written notice at the above address to cure the default, but if not paid within thirty (30) days from the date of said notice, then the entire principal sum and accrued interest shall at once become due and payable without further notice at the option of the holder of this note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

The undersigned, whether principal, surety, guarantor, endorser, or other party hereto, agrees to be jointly and severally bound, and hereby waives demand, protest, and notice of demand, protest, and non-payment.

In case a lawsuit shall be brought by holder to collect this note, the maker/payor agrees to pay to the holder, in addition to all taxable costs and disbursements of the action, a reasonable sum of money as attorney's fees.

This is the one Promissory Note mentioned in a certain Real Estate Mortgage from South Kentucky Rural Electric Cooperative Corporation to the City of Monticello, Kentucky, dated the 31st day of December, 2007.

Witness my hand this 31st day of December, 2007.

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

BY: Allen Anderson CEO
Allen Anderson, Chief Executive
Officer

**STATE OF KENTUCKY
COUNTY OF WAYNE**

Subscribed and sworn to before me as being true and correct by South Kentucky Rural Electric Cooperative Corporation, acting by and through its duly authorized officer, Allen Anderson, Chief Executive Officer, on this 31st day of December, 2007.

My Comm. Expires: 5/24/2010

[Signature]
NOTARY PUBLIC

07/25/2008 9:43:01 AM Page 1

City of Monticello - MEPB

Compound Period : Annual

Nominal Annual Rate : 4.750 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	12/31/2007	4,400,000.00	1		
2 Payment Fixed Principal (+Int.)	12/31/2008	146,666.66	30	Annual	12/31/2037

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	12/31/2007		<i>plc 237.20</i>	<i>plc 224.17</i>	4,400,000.00
1	12/31/2008 <i>pd 1/2/09</i>	355,666.66	209,000.00	146,666.66	4,253,333.34
2	12/31/2009 <i>pd 1/1/10</i>	348,699.99	202,033.33	146,666.66	4,106,666.68
3	12/31/2010 <i>pd 1/6/11</i>	341,733.33	195,066.67	146,666.66	3,960,000.02
4	12/31/2011 <i>pd 12/29/11</i>	334,766.66	188,100.00	146,666.66	3,813,333.36
5	12/31/2012 <i>pd 12/27/12</i>	327,799.99	181,133.33	146,666.66	3,666,666.70
6	12/31/2013 <i>pd 12/26/13</i>	320,833.33	174,166.67	146,666.66	3,520,000.04
7	12/31/2014	313,866.66	167,200.00	146,666.66	3,373,333.38
8	12/31/2015	306,900.00	160,233.34	146,666.66	3,226,666.72
9	12/31/2016	299,933.33	153,266.67	146,666.66	3,080,000.06
10	12/31/2017	292,966.66	146,300.00	146,666.66	2,933,333.40
11	12/31/2018	286,000.00	139,333.34	146,666.66	2,786,666.74
12	12/31/2019	279,033.33	132,366.67	146,666.66	2,640,000.08
13	12/31/2020	272,066.66	125,400.00	146,666.66	2,493,333.42
14	12/31/2021	265,100.00	118,433.34	146,666.66	2,346,666.76
15	12/31/2022	258,133.33	111,466.67	146,666.66	2,200,000.10
16	12/31/2023	251,166.66	104,500.00	146,666.66	2,053,333.44
17	12/31/2024	244,200.00	97,533.34	146,666.66	1,906,666.78
18	12/31/2025	237,233.33	90,566.67	146,666.66	1,760,000.12
19	12/31/2026	230,266.67	83,600.01	146,666.66	1,613,333.46
20	12/31/2027	223,300.00	76,633.34	146,666.66	1,466,666.80
21	12/31/2028	216,333.33	69,666.67	146,666.66	1,320,000.14
22	12/31/2029	209,366.67	62,700.01	146,666.66	1,173,333.48
23	12/31/2030	202,400.00	55,733.34	146,666.66	1,026,666.82
24	12/31/2031	195,433.33	48,766.67	146,666.66	880,000.16
25	12/31/2032	188,466.67	41,800.01	146,666.66	733,333.50
26	12/31/2033	181,500.00	34,833.34	146,666.66	586,666.84
27	12/31/2034	174,533.33	27,866.67	146,666.66	440,000.18
28	12/31/2035	167,566.67	20,900.01	146,666.66	293,333.52
29	12/31/2036	160,600.00	13,933.34	146,666.66	146,666.86
30	12/31/2037	153,633.34	6,966.48	146,666.86	0.00
Grand Totals		7,639,499.93	3,239,499.93	4,400,000.00	

REAL ESTATE MORTGAGE

THIS MORTGAGE made and entered into this 31st day of December, 2007, between SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, acting by and through its duly authorized officer, Allen Anderson, of P.O. Box 910, Somerset, Kentucky 42502, (whether jointly or severally referred to as "MORTGAGOR"), and the and THE CITY OF MONTICELLO, KENTUCKY, of P.O. Box 550, 157 South Main Street, Monticello, Kentucky 42633, (hereinafter referred to as "MORTGAGEE").

W I T N E S S E T H : :

WHEREAS, MORTGAGOR (jointly and severally) is indebted to MORTGAGEE for money due and owing in the sum of FOUR MILLION FOUR HUNDRED THOUSAND---00/100 DOLLARS (\$4,400,000.00) with interest thereon at the rate of FOUR AND THREE QUARTERS (4.75%) per cent per annum until paid, which is evidenced by MORTGAGOR'S promissory note of even date herewith, which it has signed, executed and delivered to MORTGAGEE, with interest as set forth in said note and due and payable in 30 annual installments, with said annual principal installments being in the amount of \$146,666.67 plus accumulated interest on the unpaid principal or balance, with the first of said annual installment of \$146,666.67 plus interest at 4.75% per annum on the unpaid balance to be due and owing on the 31st day of December, 2008 and with a like annual principal installment plus interest being due and payable on each consecutive and successive year thereafter on the 31st day of December, with the final annual installment being due and payable on the 31st day of December, 2037, it being the maturity date, which note shall not be pre-payable.

NOW THEREFORE, in order to secure the full and prompt payment of said note, with any renewals or extensions thereof, or any additional amounts as provided herein, with offset, the MORTGAGOR, waiving and releasing all homestead exemption and all other exemptions allowed by laws, and all rights, title and interest, present or future, actual or contingent, including dower or curtesy, as to property herein described, do hereby grant, bargain, alien, convey and mortgage unto the MORTGAGEE, its successors and

assigns forever, with covenant of general warranty the following described real property, together with all improvements and appurtenances thereto, rents, issues and profits therefrom, situated in the **County of Wayne & Pulaski**, Commonwealth of Kentucky, to-wit:

See Exhibit "A" attached hereto for a more complete description of the real estate being pledged and mortgaged herein.

It is agreed that this mortgage shall secure all renewals or extensions of the note set out herein in whole or in part and no renewal or extension shall be deemed a payment or novation so as to discharge this mortgage.

If a default occurs in the payment of any installment under the note and real estate mortgage when due and owing, **MORTGAGEE** shall send **MORTGAGOR** a thirty (30) day written notice at the above address to cure the default, but if not paid within thirty (30) days from the date of said notice, then the entire principal sum and accrued interest shall at once become due and payable without further notice at the option of the holder of the note and real estate mortgage. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

In the event of the partial or total taking of the mortgaged property through the exercise of the power of eminent domain, it is agreed that **MORTGAGOR** shall apply the proceeds from such taking to the prepayment of the note. In the event that any of the mortgaged property shall be destroyed or damaged at any time by fire or any other cause whatsoever, the **MORTGAGOR** will, at their option either (a) promptly restore, or replace the same in a manner that the value thereof when restored or replaced, will be at least equal to the value thereof immediately prior to such destruction or damage, or (b) will pay in full the unpaid balance on the note. If the **MORTGAGOR** shall fail to perform any of the covenants contained in this paragraph, the holder of the note may perform the same on behalf of the **MORTGAGOR**, but shall be under no obligation to do so, and may apply either their own funds or any sum in their hands

representing the proceeds of any insurance upon the mortgaged premises for such purpose; and all sums expended (except proceeds of insurance representing the loss in question) shall be at once repayable by the **MORTGAGOR**, and shall bear interest at the rate shown on the note until paid, and shall be secured hereby, but no action on the part of the holder of the note shall relieve the **MORTGAGOR** from any default hereunder.

MORTGAGOR covenants that it will not sell, transfer or convey the real estate mortgaged herein, nor permit the indebtedness secured hereby to be assumed, without the written consent of the mortgagee, except that Mortgagor may further encumber the proeprty in favor of National Rural Utilities Cooperative Finance Corporation and/or the United States of America without the written consent of the mortgagee; and that a sale, transfer, or conveyance of the premises, or assumption of this mortgage with the consent of the **MORTGAGEE**, shall not operate to release or in any way discharge the **MORTGAGOR** from their primary liability for the payment of said debt. Except as permitted herein, should **MORTGAGOR** or its successors or assigns sell, transfer or convey this property or permit the indebtedness secured hereby to be assumed, this mortgage shall immediately become due and payable at option of the **MORTGAGEE**.

If foreclosure proceedings of any junior lien of any kind whatsoever shall be instituted, **MORTGAGEE** herein may immediately declare its debt hereby secured and the note evidencing same as being immediately due and payable and may start such proceedings as may be necessary to protect its interest in the premises, and its lien herein granted upon rents and profits shall be prior to the lien of any junior lien holder upon rents or profits.

It is expressly stipulated and agreed that the lien of this mortgage shall extend to and include any expenses that might be incurred by **MORTGAGEE** in the collection of this demand hereinbefore recited and should legal proceedings be instituted for the collection of said demands, or any part hereof, the **MORTGAGOR** shall be liable for, reasonable attorney's fees incurred by **MORTGAGEE**.

The **MORTGAGOR** covenants that it will maintain the improvements on said premises in good repair, and not commit or permit any waste to the improvements or the premises herein mortgaged; and that they will not alter, destroy or remove any improvements now on said

property without the written consent of the **MORTGAGEE**. **MORTGAGOR** agrees to make any repairs demanded by the **MORTGAGEE**. **MORTGAGOR** further covenant that upon a default in payment of any installment on said note or the breach of any covenant or condition of this instrument, the **MORTGAGEE**, shall have the right at its option to apply for and have appointed by a court of competent jurisdiction, a receiver to take charge of said property and to collect the rents, issues, and profits of the property herein mortgaged, and to apply the same to the payment of the costs of such receivership, to the payment of any superior liens that may have accrued against the property and any delinquent payment or payments as have accrued or that may become due under the terms of this mortgage. Application by the **MORTGAGEE** for receiver shall in no way impair its right to payment of rents and profits or thereafter impair the right to precipitate the collection of the debt herein secured by this mortgage.

The **MORTGAGOR** covenants that neither **MORTGAGOR** nor, to the best knowledge of **MORTGAGOR**, any other person has ever caused or permitted any Hazardous Material (as hereinafter defined) to be located or disposed of on, under or at the Property or any part thereof, and neither the Property nor any part thereof has ever been used) whether by **MORTGAGOR** or, to the best knowledge of **MORTGAGOR**, by any other person) as a dump site or permanent or temporary storage site for any Hazardous Material. **MORTGAGOR** agrees to indemnify and hold **MORTGAGEE** harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses (including without limitation reasonable attorney and consultant fees), claims for damage to the environment, claims for fines or civil penalties, costs of any settlement or judgment, and claims of any and every kind whatsoever, paid, incurred or suffered by **MORTGAGEE**, or asserted against **MORTGAGEE** by any person, entity or governmental agency for, with respect to, or as a direct or indirect result of, the presence on or under the Property of, or the actual or threatened escape, spillage, discharge, emission, or release from the Property of, or transportation of, any Hazardous Material or any noncompliance with any Environmental Law. This indemnity shall apply notwithstanding any negligent or other contributory conduct by or on the part of **MORTGAGEE** or any other person, and shall survive payment of the indebtedness hereby secured, satisfaction and release of this mortgage, foreclosure of this mortgage or conveyance of the Property in lieu thereof. For purposes of this mortgage, "Environmental Law" shall mean any

Federal, State or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Material, as now or at any time hereafter in effect. "Hazardous Material" shall mean any hazardous, toxic or dangerous waste, substance or material defined as such in, or for purposes of, any Environmental Law. **MORTGAGOR** shall promptly give **MORTGAGEE** written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Material or Environmental Law.

The **MORTGAGOR** covenants that until said debt and interest are fully paid, it will promptly pay all taxes, assessments or other governmental levies that are now and may hereafter become a lien upon said property and will keep the improvements on said premises insured against loss by fire, windstorm, flood or other casualty in a sum commensurate with the value of the property, at least to the extent of protecting the equity of the **MORTGAGEE** in said property, or to the insurable value of said improvements, in some good and solvent insurance company to be approved by the **MORTGAGEE**, and will cause the policy or policies therefore to be assigned or made payable to the **MORTGAGEE** by standard mortgage clause attached thereto, and deliver same, with all premiums fully paid, to the **MORTGAGEE** to be held as additional collateral for this loan and that should they fail to promptly pay taxes, assessments or governmental levy or procure insurance as provided under this provision, the **MORTGAGEE** may pay said taxes, assessments, or levies and procure insurance thereon and any monies so expended by it shall bear interest at the same rate as the principal rate secured by this mortgage from the first day of the month in which any such payment is made and shall be added to and deemed a part of the debt hereby secured, or the **MORTGAGEE** upon such failure upon the part of the **MORTGAGOR** or upon his failure to pay any installment of said note when due, or upon the mortgagor's violation of any of the terms or condition hereof, may at its option, declare the entire unpaid balance of said note immediately due and proceed to enforce this mortgage.

In the event **MORTGAGOR** files bankruptcy, **MORTGAGOR** agrees and consents to **MORTGAGEE** receiving and collecting ongoing and continuing interest on all deficiencies, arrearages and uncollected sums due **MORTGAGEE**.

It is understood that time is of the essence in this contract but that a waiver by the **MORTGAGEE** of a breach of any of the terms and conditions of said note or this mortgage shall not constitute a waiver upon subsequent breach of the terms or conditions thereof. **MORTGAGOR** shall not pre-pay any or all of such indebtedness as set forth in the promissory note of even date herewith due and owing **MORTGAGEE**.

If this box is checked [] this mortgage is taken to secure a loan made for the purpose of erecting, improving or adding to a building on the mortgage property.

TO HAVE AND TO HOLD the foregoing described real property, together with all appurtenances thereunto belonging unto the **MORTGAGEE**, its successors and assigns, for the purposes aforesaid, forever, conditioned, however, that **MORTGAGOR** will pay the indebtedness when due, together with all extensions, renewals, all accrued interest thereon, and any and all sums advanced for taxes and insurance premiums or any other sums advanced or loaned by **MORTGAGEE** to **MORTGAGOR** as principal, joint maker and/or endorser, then this mortgage shall become null and void, otherwise, remain in full force and effect.

IN TESTIMONY WHEREOF, witness the signature of the **MORTGAGOR**, this 31st day of December, 2007.

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

BY: Allen Anderson CEO
ALLEN ANDERSON, CHIEF
EXECUTIVE OFFICER


HAVING SEEN AND AGREED TO THE TERMS OF THIS INSTRUMENT:

CITY OF MONTICELLO, KENTUCKY

BY: Kenneth D. Catron Mayor
KENNETH CATRON, MAYOR

STATE OF KENTUCKY
COUNTY OF WAYNE

The foregoing instrument was signed and acknowledged before me this 31st day of December, 2007 by South Kentucky Rural Electric Cooperative Corporation, acting by and through its duly authorized officer, Allen Anderson, Chief Executive Officer.

My Comm. Expires: 5/26/2010 
Notary Public

STATE OF KENTUCKY
COUNTY OF WAYNE

The foregoing instrument was signed and acknowledged before me this 31st day of December, 2007 by The City of Monticello, Kentucky, acting by and through its duly authorized officer, Kenneth Catron, Mayor.

My Comm. Expires: 5/26/2010 
Notary Public

THIS INSTRUMENT PREPARED BY:
PHILLIPS & PHILLIPS
ATTORNEYS AT LAW
P.O. BOX 391
MONTICELLO, KENTUCKY 42633

BY: 
ATTORNEY

DATE: DECEMBER 31, 2007

SECURITY AGREEMENT

1. SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, (hereinafter called "Debtor") whose address is P.O. Box 910, Somerset, Kentucky 42502 hereby grants to THE CITY OF MONTICELLO, KENTUCKY, (hereinafter called "Secured Party") whose address is 157 South Main Street, Monticello, Kentucky 42633, a security interest in the collateral described in Paragraph 2 below to secure the payment of a loan owed by Debtor to Secured Party in the amount of \$4,400,000.00, plus all costs, expenses, advances, and liabilities which may be made or incurred by Secured Party in the disbursement, administration and collection of the loan and in the protection maintenance and liquidation of the collateral, with interest on all the aforesaid.

2. The collateral covered by this agreement is all the Debtor's property described below which has been purchased from the Electric Plant Board of the City of Monticello on the date hereof, used in connection with Debtor's, SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, business, in reference to which an "X" or check mark has been placed in the box applicable thereto, together with all proceeds and products thereof, and includes, but is not limited to, any items listed on any schedule or list attached hereto:

a. All machinery, equipment, furniture and fixtures, now owned or hereafter acquired, together with all replacements thereof, all attachments, accessories, parts, equipment and tools belonging thereto or for use in connection therewith.

b. All inventory, raw materials, work in process, returned goods and supplies now owned or hereafter acquired.

c. All accounts receivable, accounts, notes, drafts, acceptances, and other forms of obligations and receivables now or hereafter received by or belonging to Debtor for goods sold by Debtor; or for goods returned by Debtor; or for services rendered by Debtor, all guarantees and securities therefor, and all the right, title and interest of the Debtor in the merchandise which shall give rise thereto, and all rights of the Debtor earned or yet to be earned under contracts to sell, or to

render services, or any other contract rights, chooses in action or general intangibles, of every kind whatsoever.

d.

All the buildings and improvements erected thereon, or hereafter erected thereon, and the rights, privileges and appurtenances thereto belonging or in any way appertaining, and all equipment, machinery and fixtures, moveable and immovable, on or about the property, including all heating, plumbing, air conditioning, lighting fixtures, appliances and equipment (including accessories attached thereto or used in connection therewith or for the repair thereof), tools, parts and accessions thereto, and all replacement thereof, now or hereafter on or affixed to the property, together with the rents, issues and profits therefrom, arising from the real property more fully described in Exhibit "A" attached hereto and made a part hereof, and all ledger sheets, files, computer programs, software, disks, tapes, and related electronic data processing media, and all other records of debtor, including all rights of debtor to retrieval from third parties of electronically processed and recorded information, relating to any of the above property.

3. Debtor warrants that Debtor is the absolute owner of the legal and beneficial title to the collateral (exclusive of hereinafter acquired, replacement or hereafter-created items) and is in full possession thereof, and that same is free and clear of all liens, encumbrances and adverse claims whatsoever, except:

(NONE, unless here below stated)

4. Debtor shall not transfer, sell or assign Debtor's interest in collateral, not permit any other security interest to be created thereon without Secured Party's prior written approval, except that Debtor may sell collateral described in Paragraph 2b. Hereof in the ordinary course of business on terms and at prices customary therein; and may collect as Secured Party's agent sums due on collateral described in Paragraph 2c hereof until advised otherwise by Secured Party.
5. Debtor shall keep, store or regularly garage all collateral at locations approved by Secured Party in writing. Any of the above-described collateral which may be goods that are or are

to become fixtures are affixed to or are to be affixed to real estate described or known as:

See Exhibit "A" attached hereto.

6. Debtor shall not conduct business under any other name that given above or change or reorganize the type of business entity under which it does business except upon prior written approval of Secured Party. If such approval is given, Debtor covenants that all documents, instruments and agreements demanded by Secured Party shall be prepared and filed at Debtor's expense before such change of name or business entity occurs.
7. Debtor shall pay the filing and recording costs of any documents or instruments necessary to perfect, extend, amend, continue or terminate the security interest created hereunder, as demanded by Secured Party.
8. Debtor shall maintain all collateral in good condition, pay promptly all taxes, judgments or charges of any kind levied or assessed thereon, keep current all rent due on premises where collateral is located, and maintain insurance on all collateral against such hazards, in such amounts and with such companies as Secured Party may demand, all policies thereon to contain a Lendor's Loss Payable Clause naming Secured Party and be in all aspects satisfactory to it. Debtor hereby assigns to Secured Party any proceeds of all policies insuring the collateral and all unearned premiums thereon, and authorizes and empowers Secured Party to collect such sums and to execute and endorse in Debtor's name all proofs of loss, drafts, checks and any other documents necessary to accomplish such collections, and any persons or entities making payments to Secured Party under the terms of this paragraph are hereby relieved absolutely from any obligation to see to the application of any sums so paid.
9. Debtor shall be in default hereunder if Debtor fails to perform any of the obligations imposed hereby or any other obligation required by the various instruments or papers evidencing or securing this loan, or if the full balance of the loan becomes immediately payable under the terms of such instruments either automatically or by declaration of the Secured Party. In the event of any default, Secured Party may, in its own discretion, cure such default and, if it does

so, any expenditures made for such purpose shall be added to the principal of the loan.

10. In event of default, Debtor agrees to assemble all collateral at any place designated by Secured Party. Debtors hereby grants to Secured Party the right to take possession of the collateral without judicial process and to enter any premise where the collateral may be located for the purpose of taking possession of or removing the collateral. Debtor grants Secured Party the use of any of Debtor's premises or facilities for the purpose of possession, removal, placing the collateral in saleable form, sale or other disposition of collateral.
11. In event of default, Debtor further agrees to render all possible assistance to place Secured Party in possession of the collateral. Debtor hereby waives all rights, if any there be, to a hearing or other judicial process prior to Secured Party's right to summary possession or right of summary disposition of collateral.
12. Any notices required under Kentucky Revised Statute Chapter 355 shall be deemed reasonable if mailed by Secured Party to the persons entitled thereto at their last known addresses at least five days prior to disposition of the collateral, and, in reference to a private sale, need state only that Secured party intends to negotiate such a sale. Disposition of collateral shall be deemed commercially reasonable if made pursuant to a public offering advertised at least twice in a newspaper of general circulation in the community where the collateral is located or by a private sale for a sum equal to or in excess of the liquidating value of the collateral as determined by Secured Party.
13. Debtor shall pay to Secured Party on demand any and all expenses, including attorney fees and legal expenses incurred or paid by or on behalf of Secured Party in protecting or enforcing its rights or in taking, holding, preparing for sale, and sale of collateral. Proceeds from the disposition of collateral shall be applied as provided by Kentucky revised Statute Chapter 355, including all attorney fees and legal expenses. Excess proceeds, if any, shall be applied to any other indebtedness owed by Debtor to Secured Party, and then to the person(s) legally entitled thereto. Debtor and all those obligated to Secured Party on aforesaid indebtedness

- shall remain liable for any deficiency.
14. All rights conferred on Secured Party hereby are in addition to those granted to it by Chapter 355 of Kentucky revised Statutes or any other law. Failure or repeated failure to enforce any rights hereunder shall not constitute an estoppel or waiver of Secured Party's rights to exercise such rights accruing prior or subsequent thereto. Secured Party shall not be liable for any loss to collateral in its possession, nor shall such loss diminish the debt due, even if the loss is caused or contributed to by Secured Party's negligence.
 15. If any contract rights, accounts receivable or proceeds of inventory covered hereby arise from obligations due to the Debtor from any governmental body or organization, Debtor shall immediately notify Secured Party in writing and execute all documents and take all steps demanded by Secured Party to ensure recognition by such governmental body or organization of the rights of Secured Party.
 16. Debtor shall, upon demand, immediately deliver to Secured Party possession and control of collateral hereby encumbered, together with all profits and proceeds thereof and all records appertaining thereto; shall make and deliver any and all endorsements or assignments necessary to enable Secured Party to make sale of or collection thereon; and deposit daily all cash received in a bank account designated for that purpose by and under the control of Secured Party. Secured Party shall have the right at any time, whether there is a default or not, to notify all account debtors of the Debtor of the security interest herein granted, to make payment of such accounts direct to secured Party, to sue for, take judgment or compromise such accounts, and to sell the same at public or private sale, the commercial reasonableness of such sale to be determined by the provisions of this agreement.
 17. Debtor shall at all times maintain the items described below, in reference thereto, in an aggregate dollar amount of not less than \$700,000.00.
 - a. Inventory, raw materials, work in process and supplies, at the lower of cost or market value.
 - b. Accounts receivable, at face value.
 18. A judicial decree, order or judgment holding any provision herein invalid or unenforceable shall not in any way impair or

preclude enforcement of the remaining provisions herein, and shall not in any way impair or preclude enforcement of rights or remedies of Secured Party under Kentucky Revised Statutes Chapter 355, or other applicable law.

- 19. This agreement shall bind and the benefits and advantages shall insure to, the respective successors and assigns of the parties hereto.
- 20. Other provisions.

IN WITNESS WHEREOF, Debtor has executed or caused to be duly executed this Agreement, the day and year first above written.

DEBTOR

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

(Seal)

Attest: _____

Secretary

BY: Allen Anderson

TITLE: Chief Executive Officer

SECURED PARTY

THE CITY OF MONTICELLO, KENTUCKY

BY: Kenneth Q. Catron Mayor

KENNETH CATRON, MAYOR

STATE OF KENTUCKY

COUNTY OF Wazoo

The foregoing instrument was signed and acknowledged before me this 31st day of December, 2007 by SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, acting by and through its duly authorized officer, Allen Anderson, CEO.

My Comm. Expires: 5/24/2010

[Signature]
Notary Public


STATE OF KENTUCKY

COUNTY OF Wazoo

The foregoing instrument was signed and acknowledged before me

this 31st day of December, 2007 by The City of Monticello,
Kentucky, acting by and through its duly authorized officer,
Kenneth Catron, Mayor.

My Comm. Expires: 5/26/2010



Notary Public

THIS INSTRUMENT PREPARED BY:
PHILLIPS & PHILLIPS
ATTORNEYS AT LAW
P.O. BOX 391
MONTICELLO, KY 42633
606-348-5591

BY: 

ATTORNEY

FIXTURE FILING FINANCING STATEMENT

This Fixture filing Financing Statement is presented to the County Court Clerk of Wayne County, Kentucky, for filing pursuant to the Uniform Commercial Code:

1. Debtor's Name and Address:

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
P.O. Box 910
Somerset, Kentucky 42502

2. Second Party: **THE CITY OF MONTICELLO, KENTUCKY**
P.O. Box 550
157 South Main Street
Monticello, Kentucky 42633

3. This Fixture Filing Financing Statement covers the following type or types (or items) of property ("Collateral") now owned or hereafter acquired by the Debtor: All the buildings and improvements erected thereon, or hereafter erected thereon, and the rights, privileges and appurtenances thereto belonging or in any way appertaining, and all equipment, machinery and fixtures, moveable and immovable, on or about the property, including all heating, plumbing, air conditioning, lighting fixtures, appliances and equipment (including accessories attached thereto or used in connection therewith or for the repair thereof), tools, parts and accessions thereto, and all replacement thereof, now or hereafter on or affixed to the property, together with the rents, issues and profits therefrom, arising from the real property more fully described in Exhibit "A" attached hereto and made a part hereof, and all ledger sheets, files, computer programs, software, disks, tapes, and related electronic data processing media, and all other records of debtor, including all rights of debtor to retrieval from third parties of electronically processed and recorded information, relating to any of the above property.
4. The collateral is or may become fixtures and the real estate to which such fixtures are or may be attached is described on Exhibit "A" attached hereto, and this financing statement is to be filed in the same office as the real estate records.
5. Debtor is the record owner of the real estate described on

Exhibit "A".

This 31st, day of December, 2007.

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

BY: Allen Anderson CEO
Allen Anderson, Chief
Executive Officer

THE CITY OF MONTICELLO, KENTUCKY

BY: Kenneth Catron Mayor
KENNETH CATRON, MAYOR

STATE OF KENTUCKY
COUNTY OF WAYNE

The foregoing instrument was signed and acknowledged before me this 31st day of December, 2007 by SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, acting by and through its duly authorized officer, Allen Anderson, Chief Executive Officer.

My Comm. Expires: 5/26/2010

[Signature]
Notary Public

STATE OF KENTUCKY
COUNTY OF WAYNE

The foregoing instrument was signed and acknowledged before me this 31st day of December, 2007 by The City of Monticello, Kentucky, acting by and through its duly authorized officer, Kenneth Catron, Mayor.

My Comm. Expires: 5/26/2010

[Signature]
Notary Public

THIS INSTRUMENT PREPARED BY:
PHILLIPS & PHILLIPS
ATTORNEYS AT LAW
P.O. BOX 391
MONTICELLO, KY 42633
606-348-5591

BY: [Signature]
ATTORNEY



COPY

Agreement No. 00087244SLA

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "**Agreement**"), dated as of March 25, 2016, is entered into by and between **SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**, Somerset, Kentucky, a corporation (the "**Borrower**"), and **COBANK, ACB**, a federally-chartered instrumentality of the United States ("**Lender**").

RECITALS

In consideration of the agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and Lender agree as follows:

ARTICLE 1 Defined Terms; Accounting Principles. Certain capitalized terms used in this Agreement bear the definitions given to them in this Agreement. References to accounting standards are to United States generally accepted accounting principles, consistently applied, or the system of accounts established by the Rural Utilities Service ("**RUS**"), or such other commission or body as may be agreeable to Lender (the "**Accounting Standards**").

ARTICLE 2 The Facilities.

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

2.2 Availability. Loans will be made available on any day on which Lender and the Federal Reserve Banks are open for business (a "**Business Day**") upon the telephonic or written request of an authorized employee of the Borrower. Requests for loans must be received by 12:00 p.m. Denver, Colorado time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds. Wire transfers will be made to such account or accounts as may be authorized by the Borrower.

2.3 Security. The Borrower's obligations under this Agreement and each Promissory Note will be secured by a statutory first lien on all equity that the Borrower may now own or hereafter acquire or be allocated in Lender. In addition, except as otherwise provided in a Promissory Note or in a closing instruction letter signed by the parties (an "**Instruction Letter**"), the Borrower's obligations hereunder and under each Promissory Note will be:



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Somerset, Kentucky
Agreement No. 00087244SLA

(a) secured by a first priority lien (subject only to exceptions approved in writing by Lender) and shared pro rata with the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC") on all real and personal property of the Borrower, whether now existing or hereafter acquired. The Borrower agrees to take such steps, including, without limitation, the execution and recordation or filing, as applicable, of mortgages, deeds of trust, security agreements, intercreditor or parity agreements, pledge agreements, control agreements, financing statements, and amendments to any of the foregoing, and such other instruments and documents as Lender may require to enable Lender to obtain, perfect, and maintain a lien on such property, and the payment of any applicable mortgage recording, documentary stamp, or intangible taxes; and

(b) guaranteed by an unsecured or secured, limited or continuing guarantee of payment, in form and substance and from such parties as may be required by Lender from time to time. If Lender requires such guarantee(s) to be secured by a lien on the real and/or personal property of a guarantor (a "**Guarantor**"), Borrower will cause each Guarantor to take such steps, including, without limitation, the execution and recordation or filing, as applicable, of mortgages, deeds of trust, security agreements, pledge agreements, control agreements, financing statements, and amendments to any of the foregoing, and such other instruments and documents as Lender may require to enable Lender to obtain, perfect, and maintain a lien on such property, and the payment of any applicable mortgage recording, documentary stamp, or intangible taxes.

2.4 Payments Generally. The Borrower's obligation to repay each loan will be evidenced by a Promissory Note. Lender will maintain a record of all loans, the interest accrued thereon, and all payments made with respect thereto, and such record will, absent proof of manifest error, be conclusive evidence of the outstanding principal and interest on the loans. Payments under each Promissory Note will be made by wire transfer of immediately available funds, by check, or by automated clearing house (ACH) or other similar cash handling processes as specified by separate agreement between the Borrower and Lender. Wire transfers will be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as Lender may direct by notice). The Borrower will give Lender telephonic notice no later than 12:00 p.m. Denver, Colorado time on the day the Borrower intends to pay by wire of such intent, and funds received after 3:00 p.m. Denver, Colorado time will be credited on the next Business Day. Checks will be mailed to CoBANK, Department 167, Denver, Colorado 80291-0167 (or to such other place as Lender may direct by notice). Credit for payment by check will not be given until the later of the next Business Day after receipt of the check or the day on which Lender receives immediately available funds. If any installment of principal or interest is due on a date that is not a Business Day, then such installment will be due and payable on the next Business Day.

2.5 Broken Funding Surcharge. Notwithstanding the terms of any Promissory Note giving the Borrower the right to repay any loan prior to the date it would otherwise be due and payable, the Borrower agrees to provide three Business Days' prior written notice for any prepayment of a fixed rate balance and to pay to Lender a broken funding surcharge in the amount set forth below in the event the Borrower: (a) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (b) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (c) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge will be in an amount equal to the greater of (1) the sum of: (i) the present value of any funding losses imputed by Lender to have been incurred as a result of such payment, conversion or failure; plus (ii) a per annum yield of 0.50% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate, or (2) \$300.00. Any surcharge will be determined

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and calculated in accordance with methodology established by Lender, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this section and of the broken funding charge section of a forward fix agreement between Lender and the Borrower, the provisions of the forward fix agreement will control.

2.6 Taxes; Change in Law. Any payment by the Borrower to Lender will be made net of any taxes (other than income and similar taxes imposed on or measured by Lender's overall net income). If any change in any law, rule, regulation, code, ordinance, order or the like to which the Borrower is subject, including, without limitation, all laws relating to environmental protection, and taxes (collectively, "**Laws**"), increases the cost of making or maintaining any loan (or any associated commitment to lend), or reduces the amount received or receivable by Lender hereunder then, upon request, the Borrower will pay to Lender such additional amount as will compensate Lender for such additional costs incurred or reduction suffered.

ARTICLE 3 Conditions Precedent.

3.1 Conditions to Initial Promissory Note. Lender's obligation to extend credit under the initial Promissory Note hereunder is subject to the condition precedent that Lender receive, in form and substance satisfactory to Lender, each of the following:

(a) **This Agreement.** A duly executed copy of this Agreement, the other Loan Documents (as defined below), the Instruction Letter accompanying this Agreement, and all instruments and documents contemplated hereby and thereby.

(b) **Banking Service Agreements.** A duly completed and executed copy of any banking service agreement, including any agreement relating to the provision by Lender of cash management services, required by Lender from time to time. Lender will be entitled to rely on (and will incur no liability to the Borrower in acting on) any request or direction furnished in accordance with the terms thereof.

3.2 Conditions to Each Promissory Note. Lender's obligations to extend credit under each Promissory Note hereunder, including the initial Promissory Note, is subject to the condition precedent that Lender receive, in form and substance satisfactory to Lender, each of the following:

(a) **Promissory Note.** A duly executed copy of the Promissory Note and all instruments and documents contemplated by the Promissory Note.

(b) **Instruction Letter.** Any and all items or requirements detailed in an Instruction Letter.

(c) **Evidence of Perfection.** Such evidence as Lender may require that it has duly perfected liens as required under this Agreement.

(d) **Evidence of Authority.** Such certified board resolutions, certificates of incumbency, and other evidence that Lender may require that the Promissory Note, all instruments and documents executed in connection therewith, and, in the case of the initial Promissory Note hereto, this Agreement, the other Loan Documents (as defined below) and all instruments and documents executed in connection herewith and therewith, including any security documents, have been duly authorized and executed.

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(c) **Fees and Other Charges.** Any fees or other charges provided for herein, in the Promissory Note or in any invoice provided by Lender.

(f) **Insurance.** Such evidence as Lender may require that the Borrower is in compliance with Section 5.4 below.

(g) **Consents and Approvals.** Evidence as Lender may require that all regulatory and other consents and approvals referred to in Section 4.6 below have been obtained and are in full force and effect.

(h) **Opinion of Counsel.** An opinion of counsel to the Borrower (which counsel must be acceptable to Lender).

3.3 Conditions to Each Loan. Lender's obligation under each Promissory Note to make any loan to the Borrower thereunder is subject to the condition that no "**Event of Default**" (as defined in Section 8.1 below) or event that, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would ripen into an Event of Default (a "**Potential Default**") will have occurred and be continuing or would be caused by the making of such loan.

ARTICLE 4 Representations and Warranties. The execution by the Borrower of this Agreement and each Promissory Note hereunder, or any renewal or extension by Lender of any Promissory Note hereunder, will constitute a representation and warranty by the Borrower that:

4.1 Instruction Letter; Loan Documents. Each representation and warranty and all information set forth in any Instruction Letter and/or any of the Loan Documents (as defined below) and/or any other document submitted in connection with, or to induce Lender to enter into, such Promissory Note is correct in all material respects as of the date of such Promissory Note.

4.2 Compliance; Legal Proceedings. The Borrower and its subsidiaries and all property owned or leased or proposed to be acquired with the proceeds of any Promissory Note hereunder by the Borrower and/or its subsidiaries and all of its/their operations are in compliance with all applicable Laws and the terms of the Loan Documents and no Event of Default or Potential Default exists or is continuing. In addition, there are no pending legal, arbitration, or governmental actions or proceedings to which the Borrower or any subsidiary is a party or to which any of its or any subsidiaries' property is subject which, if adversely determined, might have a material adverse effect on the financial condition, operations, properties, profits, or business of the Borrower or any subsidiary, and to the best of the Borrower's knowledge, no such actions or proceedings are threatened or contemplated.

4.3 Organization; Good Standing. The Borrower (a) is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, (b) has the lawful power to own or lease its properties and to engage in the business it conducts or proposes to conduct, and (c) is duly qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

4.4 Binding Agreement. The Loan Documents constitute legal, valid, and binding obligations of the Borrower that are enforceable in accordance with their terms.

4.5 Conflicting Agreements. Neither this Agreement nor any Promissory Note, or other instrument or document securing or otherwise relating hereto or to any Promissory Note (each a "**Loan**

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Somerset, Kentucky
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Document” and collectively, at any time, the “**Loan Documents**”) conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Borrower is a party or by which it or any of its property may be bound or affected, and does not conflict with any provision of its bylaws, articles of incorporation or other organizational documents.

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

4.7 Budgets; Full Disclosure. All budgets, projections, feasibility studies, and other documentation submitted by the Borrower to Lender in connection with, or to induce Lender to enter into, such Promissory Note are based upon assumptions that are reasonable and realistic, and as of the date of such Promissory Note, no fact has come to light, and no event has occurred, that would cause any assumption made therein to not be reasonable or realistic. No Loan Document or other certificate, statement, agreement, or document furnished to Lender in connection with this Agreement or any other Loan Document (a) contains any untrue statement of a material fact, or (b) fails to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. The Borrower is not aware of any Material Adverse Change that has not been disclosed in writing to Lender. A “**Material Adverse Change**” means any material adverse change, as reasonably determined by Lender, in the condition, financial or otherwise, operations, business, liabilities (actual or contingent) or properties of the Borrower or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

4.8 Accurate Financial Information. Each submission of financial information or documents relating to the Borrower will constitute a representation and warranty by the Borrower that such information and documents (a) are true and accurate in all material respects, and (b) do not fail to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

4.9 ERISA. The Borrower and its subsidiaries are in compliance in all material respects with the applicable provisions of the Employee Retirement Income Security Act of 1974, and the regulations and published interpretations thereunder from time to time (“**ERISA**”).

ARTICLE 5 Affirmative Covenants. Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, the Borrower agrees to, and with respect to Sections 5.3, 5.4, 5.5, and 5.8, agrees to cause each subsidiary, if any, to:

5.1 Reports and Notices. Furnish to Lender:

(a) **Annual Financial Statements.** As soon as available, but in no event more than 120 days after the end of each fiscal year of the Borrower occurring during the term hereof, annual consolidated and consolidating financial statements of the Borrower and its consolidated subsidiaries, if any, prepared in accordance with the Accounting Standards. Such financial statements will: (1) be audited by independent certified public accountants selected by the Borrower and acceptable to Lender; (2) be accompanied by a report of such accountants containing an opinion thereon acceptable to Lender; (3) be

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prepared in reasonable detail and in comparative form; and (4) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(b) **Interim Financial Statements.** As soon as available, but in no event more than 60 days after the end of each fiscal quarter of the Borrower (other than the last quarter in each fiscal year of the Borrower), a balance sheet of the Borrower as of the end of such fiscal quarter, a statement of income for the Borrower for such period and for the period year to date, and such other interim statements as Lender may specifically request, all prepared in reasonable detail and in comparative form in accordance with the Accounting Standards; and, if required by written notice from Lender, (1) on a consolidated and consolidating basis for the Borrower and its consolidated subsidiaries, if any, in accordance with the Accounting Standards, and/or (2) certified by an authorized officer or employee of the Borrower acceptable to Lender.

(c) **Notice of Default.** Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, any error in the Borrower's financial information previously provided to Lender and the occurrence of any breach, default, event of default or event that, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the Borrower is a party or by which it or any of its property may be bound or affected.

(d) **Notice of Litigation, Environmental Matters, Etc.** Promptly after becoming aware thereof, notice of: (1) the commencement of any action, suit or proceeding before any court, arbitrator or governmental department, commission, board, bureau, agency, or instrumentality having jurisdiction over the Borrower, that, if adversely decided, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower; (2) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the Borrower to undertake or to contribute to a clean-up or other response under any environmental Law, or that seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such Law, or that claims personal injury or property damage as a result of environmental factors or conditions; and (3) any matter that could have a material adverse effect on the Borrower, including any decision of any regulatory authority or commission.

(e) **Notice of Certain Events.** (1) Notice at least 30 days prior thereto, of any change in the Borrower's name or corporate structure; (2) notice at least 30 days prior thereto, of any change in the Borrower's organizational documents, which changes must be approved in writing by Lender in its reasonable discretion; (3) notice at least 30 days prior thereto, of any change in the principal place of business of the Borrower or the office where its records concerning its accounts are kept; and (4) as soon as available after any changes thereto, copies of the Borrower's organizational documents certified by the Borrower's Secretary or equivalent officer acceptable to Lender.

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

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5.2 Instruction Letter. Comply with any and all requirements detailed in an Instruction Letter.

5.3 Corporate Existence, Etc. Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like that are material to the conduct of its business or required by any Law.

5.4 Insurance. Maintain insurance with reputable and financially sound insurance companies or associations, including self-insurance to the extent customary, acceptable to Lender in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as Lender may reasonably request. All such policies insuring any collateral for the Borrower's obligations to Lender will have additional insured, mortgagee and lender's loss payee clauses or endorsements, as applicable, in form and substance satisfactory to Lender. At Lender's request, the Borrower agrees to deliver to Lender such proof of compliance with this section as Lender may require.

5.5 Property Maintenance. Maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and make all alterations, replacements, and improvements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. The Borrower agrees that at Lender's request, which request may not be made more than once a year, the Borrower will furnish to Lender a report on the condition of the Borrower's property prepared by a professional engineer satisfactory to Lender.

5.6 Inspection. Permit Lender or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to inspect and visit any of its properties, examine and make excerpts from its books and records, and to discuss its business affairs, finances and accounts with its officers, directors, employees, and independent certified public accountants and to conduct reviews of any collateral.

5.7 Books and Records. Maintain and keep proper books and records of account in which full, true and correct entries of all its dealings, business and financial affairs will be made in accordance with the Accounting Standards.

5.8 Compliance With Laws. Comply in all material respects with all Laws and any patron or member investment program applicable to the Borrower. In addition, the Borrower agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

5.9 Further Assurances and Other Information. From time to time and at its expense, execute and deliver such documents and do such other acts and things as Lender in its sole discretion may deem necessary or advisable from time to time in order to more fully carry out the provisions and purpose of the Loan Documents, including delivery of such other information regarding the condition or operations, financial or otherwise, of the Borrower as Lender may from time to time reasonably request, including, but not limited to, copies of all pleadings, notices and communications referred to in Section 5.1(d) above.

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5.10 Capital. Maintain its status as an entity eligible to borrow from Lender and acquire equity in Lender in such amounts and at such times as Lender may from time to time require in accordance with its Bylaws and Capital Plan (as each may be amended from time to time), except that the maximum amount of equity that the Borrower may be required to purchase in connection with a loan may not exceed the maximum amount permitted by the Bylaws at the time the Promissory Note relating to such loan is entered into or such loan is renewed or refinanced by Lender. The rights and obligations of the parties with respect to such equity and any patronage or other distributions made by Lender will be governed by Lender's Bylaws and Capital Plan (as each may be amended from time to time).

5.11 Delivery of Original Loan Documents. If executed copies of any Loan Documents are delivered to Lender as provided in Article 3 above, immediately deliver to Lender the original executed versions of such Loan Documents.

5.12 Indemnity for Taxes. At all times indemnify and hold and save Lender harmless from and against any and all actions or causes of action, claims, demands, liabilities, loss, damage or expense of whatsoever kind and nature incurred by Lender as a result of the non-payment of any documentary stamp tax, intangible tax, interest or penalties associated therewith or any other local, state or federal assessment required to be paid, but not paid in conjunction with the indebtedness evidenced by the Loan Documents. The Borrower agrees to pay to Lender, its successors and assigns, all sums of money requested by Lender hereunder within ten days of such request, which Lender will or may advance, pay or cause to be paid, or become liable to pay, on account of or in connection with failure to pay as required by the regulations of the governmental authority so imposing said payment. Lender will be entitled to charge for any and all disbursements made by it in good faith, under the reasonable belief that it or the Borrower is or was liable for the amount so assessed. Any default by the Borrower in making any payments required under this covenant will constitute a payment Event of Default under the Loan Documents and Lender may, at its option, declare the entire amount of principal plus accrued interest thereon due and payable without notice or demand.

5.13 ERISA. The Borrower and its subsidiaries, for so long as this Agreement remains outstanding, will remain in compliance in all material respects with the applicable provisions of **ERISA**, the failure to comply with which has or may have a Material Adverse Effect on the Borrower.

ARTICLE 6 Negative Covenants. Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, the Borrower will not:

6.1 Other Indebtedness. Create, incur, assume or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money (including trade or bankers' acceptances), letters of credit, or for the deferred purchase price of property or services (including leases that should be capitalized on the books of the lessee in accordance with the Accounting Standards), except for:

- (a) debt to Lender.
- (b) accounts payable to trade creditors incurred in the ordinary course of business.
- (c) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business.
- (d) (1) capitalized leases in an aggregate amount not to exceed 5% of the Borrower's equity at any one time; (2) unsecured indebtedness to Lender, and other lenders; provided, however, that such

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debt will be limited to 15% of "**Net Utility Plant**" (as determined in accordance with the system of accounts established by RUS (the "**RUS System of Accounts**"), or such other commission or body as may be agreeable to Lender) if, after giving effect thereto, the Borrower's equity will be less than 35% of its total assets; (3) purchase money indebtedness incurred with respect to non-utility property and secured by a lien on the property being financed; and (4) secured debt to RUS, the City of Monticello, and any other lender(s) that are parties to the RUS mortgage.

6.2 Contingent Liabilities. Assume, guarantee, become liable as a surety, indorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity except for such guaranties as may from time to time be made, purchased or undertaken by the Borrower; provided, however, that the aggregate cost of such other investments, plus the total unpaid principal amount of such guaranties together with the loans and investments detailed in Section 6.5(c) below will not exceed 15% of the Borrower's "**Total Utility Plant**" (as determined in accordance with the Accounting Standards).

6.3 Liens. Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "**Liens**"). The foregoing restrictions will not apply to:

(a) Liens in favor of Lender, RUS, the City of Monticello, and any mortgagees under the RUS mortgage.

(b) Permitted Encumbrances (as defined in the RUS mortgage).

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

6.5 Loans and Investments. Make any loan or advance to, or make any investment in, or make any capital contribution to, or purchase of make any commitment to purchase any stock, bonds, notes or other securities of any person or entity, except for:

(a) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof.

(b) equity in, or obligation of, Lender.

(c) (1) existing investments in generation and transmission cooperatives and investments in Lender and other lenders organized on a cooperative basis, and (2) such other loans, deposits, advances, investments, and obligations as may from time to time be made, purchased or undertaken by the Borrower; provided, however, that the aggregate cost of such other investments, plus the total unpaid principal amount of such other loans, deposits, advances and obligations, and the guarantees detailed in Section 6.2 above will not exceed 15% of the Borrower's "**Total Utility Plant**" (as determined in accordance with the Accounting Standards).

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6.6 Dividends and Distributions. Declare or pay any dividends or patronage refunds, or declare or grant any general cancellation or abatement of charges for electric energy or services furnished by the Borrower, or purchase, retire, or redeem any patronage or other capital, or make any other distribution of any kind (whether in cash or property) to its members, stockholders or consumers (collectively, “**Distributions**”), except that the Borrower may, in any fiscal year, make Distributions provided that, both before and after giving effect thereto, the Borrower will be in compliance with its Equity to Total Assets Ratio under Article 7 below.

6.7 Mergers, Acquisitions, Etc. Merge or consolidate with any other entity or acquire all or a material part of the assets of any other person or entity, or form or create any new subsidiary, or commence operations under any other name, organization, or entity, including any joint venture.

6.8 Transfer of Assets. Sell, transfer, lease, or otherwise dispose of any of its assets, except: (a) in the ordinary course of business; and (b) the sale, transfer or disposal of any obsolete or worn-out assets that are no longer necessary or required in the conduct of the Borrower’s business.

6.9 Change in Business. Engage in any business activities or operations substantially different from or unrelated to the Borrower’s present business activities or operations.

ARTICLE 7 Financial Covenants. Unless otherwise agreed to in writing by Lender, while this Agreement is in effect:

7.1 Debt Service Coverage Ratio. The Borrower and its consolidated subsidiaries, if any, will have at the end of each fiscal year of the Borrower, a Debt Service Coverage Ratio (as defined below) for such year of not less than 1.25 to 1.00. For purposes hereof, the term “**Debt Service Coverage Ratio**” means the ratio of: (a) net income (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus depreciation expense, amortization expense, and interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures; to (b) all principal payments due within the period on all Long-Term Debt (as defined below) plus interest expense (all as calculated on a consolidated basis for the applicable period in accordance with the Accounting Standards). For purposes hereof, “**Long-Term Debt**” means, for the Borrower, on a consolidated basis, the sum of (1) all indebtedness for borrowed money, (2) obligations that are evidenced by notes, bonds, debentures or similar instruments, and (3) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with Accounting Standards or that are treated as operating leases under regulations applicable to them but that otherwise would be required to be capitalized under Accounting Standards, in each case having a maturity of more than one year from the date of its creation or having a maturity within one year from such date but that is renewable or extendible, at the Borrower’s option, to a date more than one year from such date or that arises under a revolving credit or similar agreement that obligates the lender(s) to extend credit during a period of more than one year from such date, including all current maturities in respect of such indebtedness whether or not required to be paid within one year from the date of its creation.

7.2 Equity to Total Assets. The Borrower and its consolidated subsidiaries, if any, will have at the end of each fiscal quarter of the Borrower, a ratio of consolidated total equity to consolidated total assets (both as determined in accordance with the Accounting Standards) of not less than 0.25 to 1.00.

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ARTICLE 8 Default.

8.1 Each of the following will constitute an "Event of Default" hereunder:

(a) **Payment Default.** The Borrower should fail to make any payment to Lender when due.

(b) **Representations and Warranties.** Any representation, warranty, certification or statement of fact made at any time by the Borrower, herein or in any other Loan Document, or in any certificate, other instrument or statement furnished to Lender by or on behalf of the Borrower, will have been false or misleading in any material respect as of the time it was made or furnished.

(c) **Covenants.** The Borrower will default in the observance or performance of any covenant set forth in Article 5 (other than Sections 5.1(c), 5.1(d), 5.1(e)(1), and 5.1(e)(2) above), and such default continues for 30 days after written notice thereof will have been delivered to the Borrower by Lender.

(d) **Other Covenants and Agreements.** The Borrower will default in the observance or performance of Sections 5.1(c), 5.1(d), 5.1(e)(1), and 5.1(e)(2) or any other covenant or agreement contained herein or in any other Loan Document or will use the proceeds of any loan for any unauthorized purpose.

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

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

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

(h) **Loan Document Unenforceable.** Any of the Loan Documents ceases to be a legal, valid, and binding agreement enforceable against the Borrower or any Guarantor, if any or is in any way terminated (except in accordance with its terms) or becomes or is declared ineffective or inoperative.

(i) **Revocation of Guaranty.** Any guaranty, suretyship, subordination agreement, maintenance agreement, or other agreement furnished in connection with the Borrower's obligations hereunder and under any Promissory Note will, at any time, cease to be in full force and effect, or will be revoked or declared null and void, or the validity thereof will be contested by the Guarantor, surety or other maker thereof, or the Guarantor will deny any further liability or obligations thereunder, or will fail

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to perform its obligations thereunder, or any representation or warranty set forth therein will be breached, or the Guarantor will breach or be in default under the terms of any other agreement with Lender (including any loan agreement or security agreement), or a default set forth in sections (f) through (h) will occur with respect to the Guarantor.

(j) **Insolvency, Etc.** The Borrower will: (1) become insolvent or will generally not, or will be unable to, or will admit in writing its inability to, pay its debts as they become due; or (2) suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (3) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (4) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian and such action or proceeding is not dismissed within 30 days of the date thereof, or a trustee, receiver, or other custodian is appointed for all or any part of its property; or (5) receive notice from any regulatory or governmental authority to the effect that such authority intends to replace the management of the Borrower or assume control over the Borrower; or (6) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

(k) **Material Adverse Change.** Any Material Adverse Change occurs, as reasonably determined by Lender.

8.2 Remedies. Upon the occurrence and during the continuance of an Event of Default or Potential Default, Lender will have no obligation to extend or continue to extend credit to the Borrower and may discontinue doing so at any time without prior notice or other limitation. In addition, upon the occurrence and during the continuance of any Event of Default, Lender may, upon notice to the Borrower:

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

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

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

In addition to the rights and remedies set forth above and notwithstanding any Promissory Note: (1) upon the occurrence and during the continuance of an Event of Default, at Lender's option in each instance, the entire indebtedness outstanding hereunder and under each Promissory Note will bear interest from the date of such Event of Default until such Event of Default will have been waived or cured in a manner

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satisfactory to Lender at 4.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the applicable Promissory Note; and (2) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) will automatically bear interest at 4.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Promissory Note. All interest provided for herein will be payable on demand and will be calculated on the basis of a year consisting of 360 days.

ARTICLE 9 Miscellaneous.

9.1 Amendments; Waivers; Etc. No amendment, modification, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Borrower herefrom or therefrom, will be effective unless approved by Lender and contained in a writing signed by or on behalf of Lender, and then such waiver or consent will be effective only in the specific instance and for the specific purpose for which given. In the event this Agreement is amended or restated, each such amendment or restatement will be applicable to all Promissory Notes hereto.

ARTICLE 10 Expenses; Indemnification; Damage Waiver.

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

10.2 Indemnification. The Borrower indemnifies Lender, its affiliates and its and their respective officers, directors, employees, agents and advisors (each an "Indemnitee") against, and holds each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including fees and expenses of employed or retained counsel) incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of or as a result of (a) the execution or delivery of any Loan Document, the performance or nonperformance by the Borrower of its obligations under any Loan Document or the consummation of the transactions contemplated thereby, including the use of the proceeds therefrom, (b) breach of representations, warranties or covenants of the Borrower under any Loan Document, or (c) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, including any such items or losses relating to or arising under environmental Laws or pertaining to environmental matters, regardless whether any Indemnitee is a party thereto; provided that such indemnity will not, as to an Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

10.3 Waiver of Consequential Damages. To the fullest extent permitted by applicable Law, the Borrower will not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages arising out of, in connection with, or as a result of, any Loan Document, the transactions contemplated thereby or the use of the proceeds thereof.

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10.4 Notices. All notices hereunder will be in writing and will be deemed to have been duly given when addressed to the party intended to receive the same at the address of such party set forth below (or such other address either party may specify by like notice), (a) upon delivery if personally delivered to a party at such address, (b) three days after the same is deposited in the United States mail as first class, certified mail, return receipt requested, postage paid, (c) one business day after the same has been deposited with Federal Express or another nationally recognized overnight courier service if designated for next-day delivery, and (d) upon delivery if sent by facsimile or electronic mail with confirmation of delivery of the same:

If to Lender, as follows:

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

For direct delivery purposes, when desired:
6340 S. Fiddlers Green Circle
Greenwood Village, Colorado 80111-1914

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

If to the Borrower, as follows:

South Kentucky Rural Electric Cooperative Corporation
P.O. Box 910
Somerset, Kentucky 42502

925-929 N. Main St.
Somerset, Kentucky 42503

Attention: VP of Finance
Fax No.: (606) 679-8279

10.5 Effectiveness and Severability. This Agreement will continue in effect until: (a) all indebtedness and obligations of the Borrower under this Agreement and the other Loan Documents have been paid or satisfied; (b) Lender has no commitment to extend credit to or for the account of the Borrower under any Promissory Note; and (c) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document that is prohibited or unenforceable in any jurisdiction will be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or thereof.

10.6 Successors and Assigns.

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

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

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limitation the administration, servicing, and enforcement thereof). Lender agrees to give written notification to the Borrower of any sale of a participation interest.

10.7 Integration; Other Types of Credit; Counterparts.

(a) **Integration.** The Loan Documents are intended by the parties to be a complete and final expression of their agreement. Each Promissory Note will be deemed to incorporate all of the terms and conditions of this Agreement as fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Promissory Note (or in any amendment to this Agreement or Promissory Note) and not otherwise defined in the Promissory Note (or amendment) will have the meaning set forth herein or, if applicable, in the Accounting Standards. In the event the Accounting Standards are changed after the date hereof, then all such changes will be applicable hereto, unless Lender otherwise specifies in writing.

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

(c) **Counterparts.** This Agreement may be executed in counterparts, each of which will constitute an original, but all of which when taken together will constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic means will be as effective as delivery of a manually executed counterpart of this Agreement.

10.8 Applicable Law; Submission to Jurisdiction; Service of Process; Waiver of Venue; Waiver of Jury Trial.

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

(b) **Submission to Jurisdiction; Service of Process.** The Borrower hereby irrevocably consents to the nonexclusive jurisdiction of any state or federal court in Denver, Colorado, and consents that Lender may effect any service of process in the manner and at the Borrower's address set forth herein for providing notice or demand; provided that nothing contained in this Agreement will prevent Lender from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any collateral or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction.

(c) **Waiver of Venue.** The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for the Borrower and Lender. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

(d) **Waiver of Jury Trial.** The Borrower and Lender each hereby irrevocably waives any right it may have to a trial by jury in connection with any action directly or indirectly arising out of or

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relating to this Agreement or any other Loan Document. Each party hereto (1) certifies that no representative, administrative agent or attorney of any other person has represented, expressly or otherwise, that such other person would not, in the event of litigation, seek to enforce the foregoing waiver and (2) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and other Loan Documents by, among other things, the mutual waivers and certifications in this section.

10.9 USA Patriot Act Notice. Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify, and record information that identifies the Borrower in accordance with the USA Patriot Act. The Borrower covenants and agrees it will not, and agrees to cause each of its subsidiaries not to, at any time, directly or indirectly be (a) a person with whom Lender is restricted from doing business under any Anti-Terrorism Law, (b) engaged in any business involved in making or receiving any contribution of funds, goods or services to or for the benefit of such a person or in any transaction that evades or avoids, or has the purpose of evading or avoiding, the prohibitions set forth in any Anti-Terrorism Law, or (c) otherwise in violation of any Anti-Terrorism Law (the Borrower will and will cause each of its subsidiaries to provide to Lender any certifications or information that Lender requests to confirm compliance by the Borrower and its subsidiaries with any Anti-Terrorism Law). “**Anti-Terrorism Law**” means any Law relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department’s Office of Foreign Asset Control, as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced.

SIGNATURE PAGE FOLLOWS

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Somerset, Kentucky
Agreement No. 00087244SLA

SIGNATURE PAGE TO CREDIT AGREEMENT

IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers, have executed this Agreement.

CoBANK, ACB

By:

Shannon Smith

Name:

Shannon Smith

Title:

Assistant Corporate Secretary

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

By:

Allen Anderson

Name:

Allen Anderson

Title:

CEO

*CA
4/21/14*

COPY



Loan No. 00087244T01

SINGLE ADVANCE TERM PROMISSORY NOTE

THIS SINGLE ADVANCE TERM PROMISSORY NOTE (this “**Promissory Note**”) to the Credit Agreement dated March 25, 2016 (the “**Credit Agreement**”), is entered into as of March 25, 2016, between **CoBank, ACB**, a federally chartered instrumentality of the United States (“**CoBank**” or “**Lender**”) and **SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**, Somerset, Kentucky, a corporation, (together with its permitted successors and assigns, the “**Borrower**”). Capitalized terms not otherwise defined in this Promissory Note will have the meanings set forth in the Credit Agreement.

SECTION 1. SINGLE ADVANCE TERM COMMITMENT. On the terms and conditions set forth in the Credit Agreement and this Promissory Note, Lender agrees to make a single advance loan to the Borrower in an amount not to exceed \$58,634,282.39 (the “**Commitment**”).

SECTION 2. PURPOSE. The purpose of the Commitment is to refinance some of the Borrower’s indebtedness to the Rural Utilities Service (“**RUS**”) and identified on Exhibit A-1 hereto (individually or collectively, the “**Existing RUS Loan(s)**”).

SECTION 3. TERM. The Commitment will expire at 12:00 p.m. Denver, Colorado time on April 30, 2016, or on such later date as Lender may, in its sole discretion, authorize in writing (the “**Term Expiration Date**”).

SECTION 4. LIMITS ON ADVANCES, AVAILABILITY, ETC. Notwithstanding Article 2 of the Credit Agreement, the loan will be made and disbursed pursuant to closing procedures to be agreed upon by the parties.

SECTION 5. INTEREST. The Borrower agrees to pay interest on the unpaid balance of the loan(s) in accordance with the following interest rate option(s):

(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 will be effective until the first Business Day of the next week. Each change in the rate will be applicable to all balances subject to this option and information about the then current rate will be made available upon telephonic request.

(B) Quoted Rate. 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 will 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 will be four. The Borrower has selected a fixed rate of 3.55% per annum through the maturity date of February 20, 2034.

The Borrower will 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. If the Borrower fails to elect an interest rate option, interest will accrue at the variable interest rate option. Upon the expiration of any fixed rate period, interest will



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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 Borrower to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein will be made telephonically or in writing and must be received by 12:00 p.m. Denver, Colorado time. Interest will be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and will be payable monthly in arrears by the 20th day of the following month or on such other day as Lender will require in a written notice to the Borrower ("**Interest Payment Date**").

SECTION 6. PROMISSORY NOTE. The Borrower promises to repay the unpaid principal balance of the loan in accordance with the schedule(s) attached hereto as Exhibit A-2.

In addition to the above, the Borrower promises to pay interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth herein.

SECTION 7. PREPAYMENT. Subject to the broken funding surcharge provision of the Credit Agreement, the Borrower may, on one Business Day's prior written notice, prepay all or any portion of the loan(s). Unless otherwise agreed by Lender, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as Lender will specify.

SECTION 8. SECURITY. The Borrower's obligations hereunder and, to the extent related hereto, under the Credit Agreement, will be secured as provided in Section 2.3 of the Credit Agreement.

SECTION 9. FEES. INTENTIONALLY OMITTED.

SECTION 10. NON-PATRONAGE. Notwithstanding any provisions in the Credit Agreement or Lender's Bylaws and Capital Plan to the contrary, the loan(s) evidenced by this Promissory Note shall be made on a non-patronage basis. Therefore, any amounts advanced hereunder shall not be included in the annual average accruing loan volume calculation for purposes of determining Borrower's patronage refund, if any.

SIGNATURE PAGE FOLLOWS

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Somerset, Kentucky
Promissory Note No. 00087244T01

SIGNATURE PAGE TO PROMISSORY NOTE

IN WITNESS WHEREOF, the parties have caused this Promissory Note to the Credit Agreement to be executed by their duly authorized officer(s).

CoBANK, ACB

By: _____

Name: _____

Title: _____

Shannon Smith

Shannon Smith

Assistant Corporate Secretary

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

By: _____

Name: _____

Title: _____

Allen Anderson

Allen Anderson

CEO

ah
4/21/14

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
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EXHIBIT A-1

To Promissory Note No. 00087244T01

DESCRIPTION OF EXISTING LOAN(S) TO BE REFINANCED

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

LENDER	LOAN DESIGNATION
RUS	1B340
RUS	1B341
RUS	1B342
RUS	1B343
RUS	1B344
RUS	1B350
RUS	1B351
RUS	1B352
RUS	1B353
RUS	1B360
RUS	1B361
RUS	1B362
RUS	1B363
RUS	1B364

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EXHIBIT A-2

To Promissory Note No. 00087244T01

REPAYMENT SCHEDULE

Payment Due Date	Principal Payment Amount
5/20/2016	\$195,797.63
6/20/2016	\$196,384.91
7/20/2016	\$196,973.95
8/20/2016	\$197,564.76
9/20/2016	\$198,157.34
10/20/2016	\$198,751.69
11/20/2016	\$199,347.83
12/20/2016	\$199,945.76
1/20/2017	\$200,545.48
2/20/2017	\$201,147.00
3/20/2017	\$201,750.33
4/20/2017	\$202,355.46
5/20/2017	\$202,962.41
6/20/2017	\$203,571.18
7/20/2017	\$204,181.78
8/20/2017	\$204,794.20
9/20/2017	\$205,408.47
10/20/2017	\$206,024.57
11/20/2017	\$206,642.53
12/20/2017	\$207,262.34
1/20/2018	\$207,884.00
2/20/2018	\$208,507.54
3/20/2018	\$209,132.94
4/20/2018	\$209,760.22
5/20/2018	\$210,389.37
6/20/2018	\$211,020.42
7/20/2018	\$211,653.36
8/20/2018	\$212,288.20
9/20/2018	\$212,924.94
10/20/2018	\$213,563.59
11/20/2018	\$214,204.16
12/20/2018	\$214,846.65

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1/20/2019	\$215,491.06
2/20/2019	\$216,137.41
3/20/2019	\$216,785.70
4/20/2019	\$217,435.93
5/20/2019	\$218,088.11
6/20/2019	\$218,742.25
7/20/2019	\$219,398.35
8/20/2019	\$220,056.42
9/20/2019	\$220,716.46
10/20/2019	\$221,378.48
11/20/2019	\$222,042.49
12/20/2019	\$222,708.49
1/20/2020	\$223,376.48
2/20/2020	\$224,046.48
3/20/2020	\$224,718.49
4/20/2020	\$225,392.52
5/20/2020	\$226,068.57
6/20/2020	\$226,746.64
7/20/2020	\$227,426.75
8/20/2020	\$228,108.90
9/20/2020	\$228,793.09
10/20/2020	\$229,479.34
11/20/2020	\$230,167.65
12/20/2020	\$230,858.02
1/20/2021	\$231,550.46
2/20/2021	\$232,244.97
3/20/2021	\$232,941.57
4/20/2021	\$233,640.26
5/20/2021	\$234,341.05
6/20/2021	\$235,043.94
7/20/2021	\$235,748.93
8/20/2021	\$236,456.04
9/20/2021	\$237,165.27
10/20/2021	\$237,876.63
11/20/2021	\$238,590.13
12/20/2021	\$239,305.76
1/20/2022	\$240,023.54
2/20/2022	\$240,743.47
3/20/2022	\$241,465.56
4/20/2022	\$242,189.82

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5/20/2022	\$242,916.25
6/20/2022	\$243,644.85
7/20/2022	\$244,375.65
8/20/2022	\$245,108.63
9/20/2022	\$245,843.82
10/20/2022	\$246,581.21
11/20/2022	\$247,320.81
12/20/2022	\$248,062.63
1/20/2023	\$248,806.67
2/20/2023	\$249,552.95
3/20/2023	\$250,301.46
4/20/2023	\$251,052.22
5/20/2023	\$251,805.23
6/20/2023	\$252,560.50
7/20/2023	\$253,318.04
8/20/2023	\$254,077.84
9/20/2023	\$254,839.93
10/20/2023	\$255,604.30
11/20/2023	\$256,370.97
12/20/2023	\$257,139.93
1/20/2024	\$257,911.20
2/20/2024	\$258,684.79
3/20/2024	\$259,460.69
4/20/2024	\$260,238.93
5/20/2024	\$261,019.49
6/20/2024	\$261,802.40
7/20/2024	\$262,587.65
8/20/2024	\$263,375.27
9/20/2024	\$264,165.24
10/20/2024	\$264,957.58
11/20/2024	\$265,752.30
12/20/2024	\$266,549.40
1/20/2025	\$267,348.90
2/20/2025	\$268,150.79
3/20/2025	\$268,955.09
4/20/2025	\$269,761.80
5/20/2025	\$270,570.93
6/20/2025	\$271,382.48
7/20/2025	\$272,196.47
8/20/2025	\$273,012.90

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9/20/2025	\$273,831.79
10/20/2025	\$274,653.12
11/20/2025	\$275,476.92
12/20/2025	\$276,303.19
1/20/2026	\$277,131.94
2/20/2026	\$277,963.18
3/20/2026	\$278,796.91
4/20/2026	\$279,633.14
5/20/2026	\$280,471.88
6/20/2026	\$281,313.13
7/20/2026	\$282,156.90
8/20/2026	\$283,003.21
9/20/2026	\$283,852.06
10/20/2026	\$284,703.45
11/20/2026	\$285,557.40
12/20/2026	\$286,413.90
1/20/2027	\$287,272.98
2/20/2027	\$288,134.63
3/20/2027	\$288,998.87
4/20/2027	\$289,865.70
5/20/2027	\$290,735.13
6/20/2027	\$291,607.16
7/20/2027	\$292,481.82
8/20/2027	\$293,359.09
9/20/2027	\$294,239.00
10/20/2027	\$295,121.55
11/20/2027	\$296,006.74
12/20/2027	\$296,894.59
1/20/2028	\$297,785.10
2/20/2028	\$298,678.29
3/20/2028	\$299,574.15
4/20/2028	\$300,472.70
5/20/2028	\$301,373.94
6/20/2028	\$302,277.89
7/20/2028	\$303,184.55
8/20/2028	\$304,093.92
9/20/2028	\$305,006.03
10/20/2028	\$305,920.87
11/20/2028	\$306,838.46
12/20/2028	\$307,758.80

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1/20/2029	\$308,681.89
2/20/2029	\$309,607.76
3/20/2029	\$310,536.40
4/20/2029	\$311,467.83
5/20/2029	\$312,402.06
6/20/2029	\$313,339.08
7/20/2029	\$314,278.92
8/20/2029	\$315,221.57
9/20/2029	\$316,167.06
10/20/2029	\$317,115.37
11/20/2029	\$318,066.54
12/20/2029	\$319,020.55
1/20/2030	\$319,977.43
2/20/2030	\$320,937.18
3/20/2030	\$321,899.80
4/20/2030	\$322,865.32
5/20/2030	\$323,833.72
6/20/2030	\$324,805.04
7/20/2030	\$325,779.27
8/20/2030	\$326,756.41
9/20/2030	\$327,736.50
10/20/2030	\$328,719.51
11/20/2030	\$329,705.48
12/20/2030	\$330,694.41
1/20/2031	\$331,686.30
2/20/2031	\$332,681.17
3/20/2031	\$333,679.02
4/20/2031	\$334,679.86
5/20/2031	\$335,683.71
6/20/2031	\$336,690.57
7/20/2031	\$337,700.44
8/20/2031	\$338,713.35
9/20/2031	\$339,729.29
10/20/2031	\$340,748.28
11/20/2031	\$341,770.33
12/20/2031	\$342,795.44
1/20/2032	\$343,823.63
2/20/2032	\$344,854.90
3/20/2032	\$345,889.27
4/20/2032	\$346,926.74

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5/20/2032	\$347,967.32
6/20/2032	\$349,011.02
7/20/2032	\$350,057.85
8/20/2032	\$351,107.82
9/20/2032	\$352,160.94
10/20/2032	\$353,217.22
11/20/2032	\$354,276.67
12/20/2032	\$355,339.29
1/20/2033	\$356,405.10
2/20/2033	\$357,474.11
3/20/2033	\$358,546.33
4/20/2033	\$359,621.76
5/20/2033	\$360,700.42
6/20/2033	\$361,782.31
7/20/2033	\$362,867.45
8/20/2033	\$363,955.84
9/20/2033	\$365,047.50
10/20/2033	\$366,142.43
11/20/2033	\$367,240.64
12/20/2033	\$368,342.15
1/20/2034	\$369,446.96
2/20/2034	\$369,070.46

DATE: 9/15/16

PROMISSORY NOTE

For value received, Dr. Schneider Automotive Systems, Inc., a Michigan corporation duly authorized to transact business in Kentucky, hereinafter the "Maker", with a principal office located at 223 Progress Drive, Russell Springs, Kentucky 42642, promises to pay to the order of South Kentucky Rural Electric Cooperative Corporation, hereinafter "SKRECC", at the times and manner hereinafter provided, the sum of One Million Dollars (\$1,000,000.00), without interest, in equal and successive monthly installments of Eight Thousand Three Hundred Thirty-Three Dollars and Thirty-Three Cents (\$8,333.33), commencing on the 15th day of September, 2016, with succeeding monthly payments due on the first day of each month thereafter until the principal sum stated above has been paid in full on or before the final maturity date of this Promissory Note (this "Note") which shall be on the 1st day of September, 2016. Due to rounding of the amortized installments, the final payment will be Eight Thousand Three Hundred Thirty-Three Dollars and Seventy-Three Cents (\$8,333.73). The payment schedule to be utilized by Maker is that certain "Amortization Schedule" attached hereto and made a part of this Note as "Exhibit A". Maker shall have the right to prepay the obligation set forth in this Note in whole or in part at any time without penalty; provided, however, that in the event of a partial prepayment, the Maker shall be obligated to continue making regular and uninterrupted monthly payments for the amount and on the monthly payment date specified in this Note so long as any portion of the loan evidenced by this Note remains unpaid.

The Maker also promises to pay an annual service fee to SKRECC, which fee shall not exceed one percent (1%) of the then outstanding principal. The first annual service fee shall be due and payable within thirty (30) calendar days of the initial closing of the Loan; thereafter, the annual payments of service fees shall not be deferred in any respect and shall be due and payable within thirty (30) calendar days of each anniversary of the initial closing of the Loan. All payments of the annual

service fee shall be made in accordance with the amortization schedule attached as "Exhibit A" to this Note.

Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived.

In the event of (1) nonpayment when due of any payment due under this Note; (2) failure of Maker to maintain the Irrevocable Letter of Credit securing the indebtedness for the entire term of this Note, whether by the failure of any banking company to renew the Irrevocable Letter of Credit or otherwise, or if the banking company issuing the Irrevocable Letter of Credit notifies SKRECC within sixty (60) days before expiration of any term of same that it does not intend to renew; or, (3) a default occurs under the Loan Agreement between SKRECC and Maker, other than nonpayment or failure to maintain the Irrevocable Letter of Credit, and such default, other than nonpayment or failure to maintain the Irrevocable Letter of Credit, continues for a period of thirty (30) days, then at the option of the holder of this Note, all of the amount then owing under this Note shall immediately become due and payable. The failure to assert this right shall not be deemed a waiver of any future default. In such event the Maker shall also pay the holder of this Note for all reasonable costs and expenses of collection, including reasonable attorney fees.

So long as this Note shall be held by SKRECC, the Maker shall pay a late charge on any payment not made within ten (10) days of the date it becomes due as originally scheduled or otherwise. The late charges shall be computed on the payment from the due date at a rate equal to the rate of the current value of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins either annually or quarterly, as the case may be, in accordance with 31 U.S.C. Section 3713. Maker shall also pay administrative costs and penalty charges as SKRECC may now or hereafter prescribe pursuant to 4 CFR Section 102.13(d) and (e), respectively. If this Note is transferred by SKRECC, whether for collection or otherwise, any payment not paid within ten (10) days of the date it becomes due, as originally scheduled or otherwise, shall thereafter be subject to a late charge computed from the due date at a rate equal to the judgment rate prescribed by the Commonwealth of Kentucky.

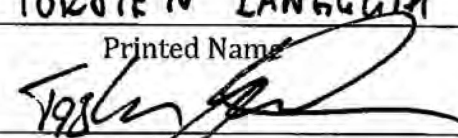
Amounts received on account of indebtedness evidenced by this Note shall be applied as follows: first to expenses, costs and penalties; second to late charges; third to principal payments which are past due; and fourth to principal installments not yet due.

This Note is given in accordance with, and is required by, the terms and conditions of a certain Rural Development Loan Agreement between SKRECC and the United States of America dated as of 09/15, 2016, receipt of a true copy of which is acknowledged by Maker and evidences indebtedness created by a loan made by the United States of America pursuant to Section 313 of the Rural Electrification Act of 1936, as amended, to SKRECC.

IN WITNESS WHEREOF, the Maker has caused this Note to be executed in its corporate name and attested by its duly authorized officers, all as of the day and year written below

This 15th day of September, 2016

DR. SCHNEIDER AUTOMOTIVE
SYSTEMS, INC. - MAKER

BY: TORSTEN LANGGUTH
Printed Name

Signature
ITS: PLANT MANAGER
Title

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

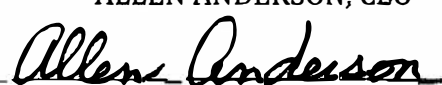
BY: ALLEN ANDERSON, CEO

Signature
ITS: President/CEO
Title

EXHIBIT A

AMORTIZATION SCHEDULE

Dr. Schneider Automotive \$1,000,000 Loan 10 Years

Compound Period: Monthly

Nominal Annual Rate: 0.000%

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
Loan	9/15/2016	1,000,000.00	1		
Payment	10/1/2016	8,333.33	119	Monthly	8/1/2026
Final Payment	9/1/2026	8,333.73	1		

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Principal Payment	Loan Balance After Payment	1% Service Fee Due Annually on or before October 15th
Closing of Loan	9/15/2016		\$1,000,000.00	\$10,000.00
Payment #1	10/1/2016	\$8,333.33	991,666.67	
Payment #2	11/1/2016	\$8,333.33	983,333.34	
Payment #3	12/1/2016	\$8,333.33	975,000.01	
2016 Totals		\$24,999.99		
Payment #4	1/1/2017	\$8,333.33	966,666.68	
Payment #5	2/1/2017	\$8,333.33	\$958,333.35	
Payment #6	3/1/2017	\$8,333.33	\$950,000.02	
Payment #7	4/1/2017	\$8,333.33	\$941,666.69	
Payment #8	5/1/2017	\$8,333.33	\$933,333.36	
Payment #9	6/1/2017	\$8,333.33	\$925,000.03	
Payment #10	7/1/2017	\$8,333.33	\$916,666.70	
Payment #11	8/1/2017	\$8,333.33	\$908,333.37	
Payment #12	9/1/2017	\$8,333.33	\$900,000.04	\$9,000.00
Payment #13	10/1/2017	\$8,333.33	\$891,666.71	
Payment #14	11/1/2017	\$8,333.33	\$883,333.38	
Payment #15	12/1/2017	\$8,333.33	\$875,000.05	
2017 Totals		\$99,999.96		
Payment #16	1/1/2018	\$8,333.33	\$866,666.72	
Payment #17	2/1/2018	\$8,333.33	858,333.39	
Payment #18	3/1/2018	\$8,333.33	850,000.06	
Payment #19	4/1/2018	\$8,333.33	841,666.73	
Payment #20	5/1/2018	\$8,333.33	833,333.40	
Payment #21	6/1/2018	\$8,333.33	825,000.07	
Payment #22	7/1/2018	\$8,333.33	816,666.74	
Payment #23	8/1/2018	\$8,333.33	808,333.41	

	Date	Principal Payment	Loan Balance After Payment	1% Service Fee Due Annually on or before October 15th
Payment #24	9/1/2018	\$8,333.33	800,000.08	\$8,000.00
Payment #25	10/1/2018	\$8,333.33	791,666.75	
Payment #26	11/1/2018	\$8,333.33	783,333.42	
Payment #27	12/1/2018	\$8,333.33	775,000.09	
2018 Totals		\$99,999.96		
Payment #28	1/1/2019	\$8,333.33	766,666.76	
Payment #29	2/1/2019	\$8,333.33	758,333.43	
Payment #30	3/1/2019	\$8,333.33	750,000.10	
Payment #31	4/1/2019	\$8,333.33	741,666.77	
Payment #32	5/1/2019	\$8,333.33	733,333.44	
Payment #33	6/1/2019	\$8,333.33	725,000.11	
Payment #34	7/1/2019	\$8,333.33	716,666.78	
Payment #35	8/1/2019	\$8,333.33	708,333.45	
Payment #36	9/1/2019	\$8,333.33	700,000.12	\$7,000.00
Payment #37	10/1/2019	\$8,333.33	691,666.79	
Payment #38	11/1/2019	\$8,333.33	683,333.46	
Payment #39	12/1/2019	\$8,333.33	675,000.13	
2019 Totals		\$99,999.96		
Payment #40	1/1/2020	\$8,333.33	666,666.80	
Payment #41	2/1/2020	\$8,333.33	658,333.47	
Payment #42	3/1/2020	\$8,333.33	650,000.14	
Payment #43	4/1/2020	\$8,333.33	641,666.81	
Payment #44	5/1/2020	\$8,333.33	633,333.48	
Payment #45	6/1/2020	\$8,333.33	625,000.15	
Payment #46	7/1/2020	\$8,333.33	616,666.82	
Payment #47	8/1/2020	\$8,333.33	608,333.49	
Payment #48	9/1/2020	\$8,333.33	600,000.16	\$6,000.00
Payment #49	10/1/2020	\$8,333.33	591,666.83	
Payment #50	11/1/2020	\$8,333.33	583,333.50	
Payment #51	12/1/2020	\$8,333.33	575,000.17	
2020 Totals		\$99,999.96		
Payment #52	1/1/2021	\$8,333.33	566,666.84	
Payment #53	2/1/2021	\$8,333.33	558,333.51	
Payment #54	3/1/2021	\$8,333.33	550,000.18	
Payment #55	4/1/2021	\$8,333.33	541,666.85	
Payment #56	5/1/2021	\$8,333.33	533,333.52	
Payment #57	6/1/2021	\$8,333.33	525,000.19	
Payment #58	7/1/2021	\$8,333.33	516,666.86	
Payment #59	8/1/2021	\$8,333.33	508,333.53	
Payment #60	9/1/2021	\$8,333.33	500,000.20	\$5,000.00
Payment #61	10/1/2021	\$8,333.33	491,666.87	
Payment #62	11/1/2021	\$8,333.33	483,333.54	

Dr. Schneider

	Date	Principal Payment	Loan Balance After Payment	1% Service Fee Due Annually on or before October 15th
Payment #63	12/1/2021	\$8,333.33	475,000.21	
2021 Totals		\$99,999.96		
Payment #64	1/1/2022	\$8,333.33	\$450,000.22	
Payment #65	2/1/2022	\$8,333.33	458,333.55	
Payment #66	3/1/2022	\$8,333.33	450,000.22	
Payment #67	4/1/2022	\$8,333.33	441,666.89	
Payment #68	5/1/2022	\$8,333.33	433,333.56	
Payment #69	6/1/2022	\$8,333.33	425,000.23	
Payment #70	7/1/2022	\$8,333.33	416,666.90	
Payment #71	8/1/2022	\$8,333.33	408,333.57	
Payment #72	9/1/2022	\$8,333.33	400,000.24	\$4,000.00
Payment #73	10/1/2022	\$8,333.33	391,666.91	
Payment #74	11/1/2022	\$8,333.33	383,333.58	
Payment #75	12/1/2022	\$8,333.33	375,000.25	
2022 Totals		\$99,999.96		
Payment #76	1/1/2023	\$8,333.33	366,666.92	
Payment #77	2/1/2023	\$8,333.33	358,333.59	
Payment #78	3/1/2023	\$8,333.33	350,000.26	
Payment #79	4/1/2023	\$8,333.33	341,666.93	
Payment #80	5/1/2023	\$8,333.33	333,333.60	
Payment #81	6/1/2023	\$8,333.33	325,000.27	
Payment #82	7/1/2023	\$8,333.33	316,666.94	
Payment #83	8/1/2023	\$8,333.33	308,333.61	
Payment #84	9/1/2023	\$8,333.33	300,000.28	\$3,000.00
Payment #85	10/1/2023	\$8,333.33	291,666.95	
Payment #86	11/1/2023	\$8,333.33	283,333.62	
Payment #87	12/1/2023	\$8,333.33	275,000.29	
2023 Totals		\$99,999.96		
Payment #88	1/1/2024	\$8,333.33	266,666.96	
Payment #89	2/1/2024	\$8,333.33	258,333.63	
Payment #90	3/1/2024	\$8,333.33	250,000.30	
Payment #91	4/1/2024	\$8,333.33	241,666.97	
Payment #92	5/1/2024	\$8,333.33	233,333.64	
Payment #93	6/1/2024	\$8,333.33	225,000.31	
Payment #94	7/1/2024	\$8,333.33	216,666.98	
Payment #95	8/1/2024	\$8,333.33	208,333.65	
Payment #96	9/1/2024	\$8,333.33	200,000.32	\$2,000.00
Payment #97	10/1/2024	\$8,333.33	191,666.99	
Payment #98	11/1/2024	\$8,333.33	183,333.66	
Payment #99	12/1/2024	\$8,333.33	175,000.33	
2024 Totals		\$99,999.96		

	Date	Principal Payment	Loan Balance After Payment	1% Service Fee Due Annually on or before October 15th
Payment #100	1/1/2025	\$8,333.33	166,667.00	
Payment #101	2/1/2025	\$8,333.33	158,333.67	
Payment #102	3/1/2025	\$8,333.33	150,000.34	
Payment #103	4/1/2025	\$8,333.33	141,667.01	
Payment #104	5/1/2025	\$8,333.33	133,333.68	
Payment #105	6/1/2025	\$8,333.33	125,000.35	
Payment #106	7/1/2025	\$8,333.33	116,667.02	
Payment #107	8/1/2025	\$8,333.33	108,333.69	
Payment #108	9/1/2025	\$8,333.33	100,000.36	\$1,000.00
Payment #109	10/1/2025	\$8,333.33	91,667.03	
Payment #110	11/1/2025	\$8,333.33	83,333.70	
Payment #111	12/1/2025	\$8,333.33	75,000.37	
2025 Totals		\$99,999.96		
Payment #112	1/1/2026	\$8,333.33	66,667.04	
Payment #113	2/1/2026	\$8,333.33	58,333.71	
Payment #114	3/1/2026	\$8,333.33	50,000.38	
Payment #115	4/1/2026	\$8,333.33	41,667.05	
Payment #116	5/1/2026	\$8,333.33	33,333.72	
Payment #117	6/1/2026	\$8,333.33	25,000.39	
Payment #118	7/1/2026	\$8,333.33	16,667.06	
Payment #119	8/1/2026	\$8,333.33	8,333.73	
Payment #120	9/1/2026	\$8,333.73	0.00	\$0.00
2026 Totals		\$75,000.37		
Grand Totals		\$1,000,000.00	\$0.00	\$55,000.00

COMMERZBANK



~~DR SCHNEIDER AUTOMOTIVE SYSTEMS INC NEW YORK BRANCH~~

223 PROGRESS DRIVE
RUSSELL SPRINGS, KENTUCKY 42642

225 LIBERTY STREET
NEW YORK, NY 10281-1050
SWIFT: COBAUS3XXXX
FAX NUMBER: (212)266-7427
ABA NO: 026008044

CONTACT: SHIRLEY MOSQUERA
TELEPHONE NO: 212 266 7648
SEPTEMBER 13, 2016 R: 2

ISSUANCE OF STAND-BY LETTER OF CREDIT

OUR L/C NO. 150STB16300120 (please always quote)
YOUR REFERENCE NO. SOUTH KENTUCKY
FOR USD1,000,000.00
IN FAVOR OF SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION
925-929 NORTH MAIN ST., SOMERSET, KY
42503, P.O. BOX 910, SOMERSET, KY 42502
DATE AND PLACE OF EXPIRY SEPTEMBER 14, 2017 OUR COUNTERS

LADIES AND GENTLEMEN,

AS PER YOUR INSTRUCTIONS, WE HAVE ISSUED THE CAPTIONED STAND-BY LETTER OF CREDIT AS INDICATED IN THE ATTACHED COPY OF OUR COMMUNICATION OF TODAY.

WE KINDLY ASK YOU TO EXAMINE THE DETAILS OF THE STAND-BY LETTER OF CREDIT.

VERY TRULY YOURS,

COMMERZBANK AG
NEW YORK BRANCH
CTS DOCUMENTARY BUSINESS GROUP

COMMERZBANK



NEW YORK BRANCH

225 LIBERTY STREET
NEW YORK, NY 10281-1050
SWIFT: COBAUS3XXXX
FAX NUMBER: (212) 266-7427
ABA NO: 026008044

CONTACT: SHIRLEY MOSQUERA
TELEPHONE NO: 212 266 7648

SEPTEMBER 13, 2016 R: 2

IRREVOCABLE STANDBY LETTER OF CREDIT NO.: 150STB16300120

APPLICANT:

DR. SCHNEIDER AUTOMOTIVE SYSTEMS INC.
223 PROGRESS DRIVE
RUSSELL SPRINGS, KENTUCKY 42642

BENEFICIARY:

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
925-929 NORTH MAIN STREET
SOMERSET, KY 42503
P.O. BOX 910
SOMERSET, KY 42502

WE HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT ("LETTER OF CREDIT"), IN YOUR FAVOR FOR THE ACCOUNT OF THE ABOVE REFERENCED APPLICANT FOR THE SUM NOT TO EXCEED THE AGGREGATE AMOUNT OF ONE MILLION AND 00/100 UNITED STATES DOLLARS (US\$1,000,000.00).

THIS LETTER OF CREDIT IS AVAILABLE WITH US BY SIGHT PAYMENT IN ONE OR MORE DRAWINGS AT OUR OFFICE LOCATED AT 225 LIBERTY STREET, NEW YORK, NY 10281-1050 ATTN: CTS-DOCUMENTARY BUSINESS GROUP AGAINST PRESENTATION OF YOUR DRAFT FOR PAYMENT DRAWN ON "COMMERZBANK AG, NEW YORK BRANCH" OR "US" ACCOMPANIED BY A DATED STATEMENT ON YOUR LETTERHEAD PURPORTEDLY SIGNED BY AN AUTHORIZED OFFICER STATING THE FOLLOWING:

"THE UNDERSIGNED, AN AUTHORIZED OFFICER FOR SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, HEREBY DEMANDS PAYMENT OF USD [INSERT AMOUNT] UNDER COMMERZBANK AG, NEW YORK BRANCH IRREVOCABLE STANDBY LETTER OF CREDIT NO. 150STB16300120 DATED SEPTEMBER 13, 2016, AS THE AMOUNT DRAWN REPRESENTS THE BALANCE DUE AND UNPAID TO US BY DR. SCHNEIDER AUTOMOTIVE SYSTEMS INC."

EACH DRAFT MUST BE ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT, TOGETHER WITH ANY SUBSEQUENT AMENDMENTS, IF ANY. IF PARTIAL DRAWINGS ARE PERMITTED

Page 1 of 2

Chairman of the Supervisory Board: Klaus-Peter Müller
Board of Managing Directors: Marlin Zielke (Vorsitzender/Chairman),
Frank Annuschein, Markus Beumer, Marcus Chronik, Stephan Engels,
Michael Mandel, Michael Reuther

Commerzbank Aktiengesellschaft, Frankfurt am Main
Registered Office: Frankfurt am Main Reg.No. 32000
VAT No. DE 114 103 514

COMMERZBANK



Date: September 13, 2016
Reference Number: 150STB16300120

AND A DRAWING DOES NOT EXHAUST THE AVAILABLE BALANCE OF THIS LETTER OF CREDIT AND THE LETTER OF CREDIT HAS NOT YET EXPIRED, THE ORIGINAL LETTER OF CREDIT SHALL BE ENDORSED BY US FOR THAT DRAWING AND IMMEDIATELY RETURNED TO YOU. ALL DRAFTS MUST BE MARKED "DRAWN UNDER COMMERZBANK AG, NEW YORK BRANCH IRREVOCABLE STANDBY LETTER OF CREDIT NO. 150STB16300120 DATED SEPTEMBER 13, 2016."

PARTIAL DRAWINGS ARE PERMITTED.


WE HEREBY AGREE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT WILL BE DULY HONORED BY US IF RECEIVED AT OUR OFFICE STATED ABOVE ON OR BEFORE THE EXPIRATION DATE.

THIS LETTER OF CREDIT IS EFFECTIVE AS OF SEPTEMBER 15, 2016, AND WILL EXPIRE AT THE CLOSE OF BUSINESS ON SEPTEMBER 14, 2017 (THE "EXPIRY DATE"); HOWEVER, THIS LETTER OF CREDIT IS DEEMED TO BE AUTOMATICALLY EXTENDED, WITHOUT AMENDMENT, FOR ADDITIONAL ONE-YEAR PERIODS FOR SO LONG AS THE APPLICANT AND BENEFICIARY HAVE NOT RECEIVED FROM US, OUR WRITTEN NOTICE BY REGISTERED OR CERTIFIED MAIL, OR COURIER DELIVERY SERVICE AT YOUR ABOVE STATED ADDRESS THAT WE WILL NOT BE EXTENDING THIS LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD, AT LEAST SIXTY (60) DAYS PRIOR TO THE ORIGINAL EXPIRATION DATE, AND ANY SUBSEQUENT EXPIRATION DATE.

ANY SUCH NOTICE SENT BY US SHALL BE EFFECTIVE UPON RECEIPT OF SAME BY BENEFICIARY, AND SUCH BENEFICIARY MAY DRAW AT ANY TIME PRIOR TO THEN CURRENT EXPIRATION DATE, UP TO THE FULL AMOUNT THEN AVAILABLE HEREUNDER, AGAINST BENEFICIARY'S DRAFT(S) DRAWN ON US AT SIGHT ALONG WITH THE ORIGINAL OF THIS LETTER OF CREDIT AND ANY SUBSEQUENT AMENDMENTS THERETO, IF ANY, ACCOMPANIED BY BENEFICIARY'S DATED STATEMENT ON THEIR LETTERHEAD, PURPORTEDLY SIGNED BY AN AUTHORIZED OFFICER, STATING THAT "SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION IS IN RECEIPT OF COMMERZBANK AG, NEW YORK BRANCH'S NOTICE OF NON-EXTENSION UNDER LETTER OF CREDIT NO. 150STB16300120 DATED SEPTEMBER 13, 2016 AND THE OBLIGATION OF DR. SCHNEIDER AUTOMOTIVE SYSTEMS INC. TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION REMAINS".

THIS LETTER OF CREDIT IS SUBJECT TO AND GOVERNED BY THE INTERNATIONAL STANDBY PRACTICES 1998 ("ISP98") ICC PUBLICATION NO. 590 AND THE LAWS OF THE STATE OF NEW YORK. IN THE EVENT OF ANY CONFLICT, THE LAWS OF THE STATE OF NEW YORK WILL CONTROL.

VERY TRULY YOURS,


Maria Teresa Jaggassar
Assistant Vice President

COMMERZBANK
AKTIENGESELLSCHAFT
NEW YORK BRANCH


Christina M. Hover
Vice President

Page 2 of 2

Chairman of the Supervisory Board: Klaus-Peter Müller
Board of Managing Directors: Martin Zielke (Vorsitzender/Chairman),
Frank Annuscheit, Markus Beumer, Marcus Chromik, Stephan Engels,
Michael Mandel, Michael Reuther

Commerzbank Aktiengesellschaft, Frankfurt am Main
Registered Office: Frankfurt am Main Reg.No. 32000
VAT No. DE 114 103 514

Form RD 4280-7
(07-15)

Form Approved
OMB No. 0570-0035

Primary Borrower ID # 772422402

PROMISSORY NOTE

Loan/Note Amount: \$1,000,000.00

Note Agreement
Date: 09/15/2016

For value received, South KY RECC, a corporation duly organized and existing under the laws of the State of Kentucky, ("Intermediary") promises to pay to the order of the United States of America ("Government"), at the times and in the manner hereinafter provided, the sum of ONE MILLION DOLLARS, \$ 1,000,000.00 without interest, in monthly installments on the last day of the month with a deferral period ending on N/A, 20 . Each payment shall be (a) substantially equal to all subsequent monthly payments and (b) in an amount that will pay all principal advanced on this note no later than the Maturity Date of 9/15, 20 26. The amortized payments will be billed to the Borrower by the Government in advance of the payment due date and shall be based on the actual amount then owed to the Government. The Intermediary shall have the right to prepay the obligation set forth in this note in whole or in part at any time without penalty; provided that in the event of a partial prepayment, the Intermediary shall be obligated to continue making regular and uninterrupted monthly payments for the amount and on the monthly payment date specified in this note, so long as any portion of the loan remains unpaid.

Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived.

In the event of nonpayment when due of any payment due under this note or if an event of default occurs under the Rural Development Loan Agreement described below, and such nonpayment or event of default continues for a period of thirty (30) days, then at the option of the holder of this note, the remaining balance under this note shall immediately become due and payable. The failure to assert this right shall not be deemed a waiver.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0035. The time required to complete this information collection is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The Intermediary shall pay a penalty on any payment not made within ninety (90) days of the date it becomes due as originally scheduled or otherwise. The penalty shall be computed on the payment from the due date at a rate equal to the rate of the current value of funds pursuant to 31 U.S.C. 3717(e)(2), not to exceed 6 percent a year on the amount due on a debt that is delinquent for more than ninety (90) days. This charge shall accrue from the date of delinquency. In addition, Intermediary shall pay administrative costs as the Government may now or hereafter prescribe pursuant to 31 CFR § 901.9.

Amounts received on account of indebtedness evidenced by this note shall be applied as follows: first to expenses, costs, and penalties; second to all principal that is past due and currently due; and third to principal not yet due.

Upon the occurrence of an event of default as defined below, the holder of this note may declare all or any portion of the note to be immediately due and payable. An "event of default" means:

- 1) any principal installment is not paid within thirty (30) days of the date which it is required to be made;
- 2) failure, inability, or unwillingness of the Intermediary to carry out or comply with, or cause to be carried out or complied with, the specific undertakings described in the Application Materials approved by Rural Development in the Letter of Conditions;
- 3) any representation or warranty made by the Intermediary in the Application Materials, Letter of Conditions, Rural Economic Development Loan Agreement, or in any certificate or report furnished by or on behalf of the Intermediary about any of the foregoing that proves to be false, incomplete, or incorrect in any material respect;
- 4) default in the observance or performance of any of the covenants, conditions, or agreements of the Intermediary or the Regulations that govern this loan that continues for thirty (30) days after written notice of the default has been given to the Intermediary by Rural Development;
- 5) an event of default under any mortgage of the Intermediary which secures this loan;
- 6) commencement of a case in bankruptcy by or against the Intermediary;
- 7) application for appointment of a receiver for, making a general assignment for the benefit of creditors by, or insolvency of the Intermediary; or

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

SOUTH KENTUCKY PECC
Intermediary

by: Allen Anderson, CEO
Intermediary President
Title

(SEAL)

Attest by:

Amy Belton
Secretary

Form RD 4280-5
(06-07)

FORM APPROVED
OMB NO. 0570-0035

DATE: 09/15/2016

AMOUNT: \$1,000,000.00

RURAL ECONOMIC DEVELOPMENT LOAN AGREEMENT

This Agreement dated as of the date first written above between South Kentucky Rural Electric Cooperative Corporation, a corporation duly organized and existing under the laws of the State of Kentucky ("Intermediary"), and Rural Development, acting through the Rural Business-Cooperative Service sets forth the terms and understandings between the Intermediary and Rural Development regarding a loan ("Loan") Rural Development is making to the Intermediary pursuant to the Rural Economic Development Loan and Grant Program (§ 313 of the Rural Electrification Act of 1936, as amended ("Act") and 7 CFR part 4280, Subpart A, ("Regulations").

The Intermediary has filed an application and supporting material (collectively, the "Application Materials") on July 1, 2015 ("Application Date") with Rural Development requesting the Loan for promoting rural economic development.

Rural Development wishes to make the Loan to finance Approved Purposes for the rural development project ("Project") as described and defined in the Letter of Conditions between Rural Development and the Intermediary dated March 31, 2016.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, Rural Development and the Intermediary agree as follows:

A. Loan Terms

1. Rural Development shall lend \$1,000,000.00 to the Intermediary and the Intermediary shall lend the proceeds of the Loan to Dr. Schneider Automotive Systems, Inc. ("Ultimate Recipient") to be used solely to promote rural economic development as more particularly described in the Application Materials, as those materials may have been subsequently approved by Rural Development .
2. Rural Development shall advance the proceeds of the Loan to the Intermediary in one disbursement at the time and in the manner specified in the Letter of Conditions.
3. The Intermediary shall repay the Loan in accordance with the note to be executed by the Intermediary ("Note"). The Intermediary shall begin to repay the Loan on the date set forth in the Note and shall continue paying without interruption until all indebtedness associated with the Loan has been repaid in full on or before the final maturity date of the Note.
4. The Loan will not bear interest although indebtedness not paid when due will be subject to interest, penalties, administrative costs and late fees, as provided in the Note.

B. Affirmative Covenants

1. The Intermediary will abide by the terms of this Agreement, and Note. The Intermediary shall pay all indebtedness as provided in the Note.
2. The Intermediary shall promptly use the proceeds of the Loan in the manner and for the purposes set forth in the Application Materials previously approved by Rural Development and in accordance with this Agreement and the Regulations. Proceeds from the Loan must be invested in the Project within 12 months of the loan to the Ultimate Recipient. Until disbursed by the Intermediary for authorized Loan purposes, the Intermediary shall deposit the Loan proceeds in bank accounts that are fully insured by the Federal Deposit Insurance Corporation.
3. The Intermediary shall return to Rural Development, as a prepayment on the Note, all proceeds of the Loan which have not been disbursed by the Intermediary for authorized Loan purposes within 12 months following the advance of the Loan proceeds to the Intermediary. The Intermediary shall also return to Rural Development all interest earned on the undisbursed Loan proceeds.
4. The Intermediary shall make all payments on the Note by using an automated clearing house (ACH) system or, if notified by Rural Development in writing to do so, any other reasonable method of payment specified by Rural Development. Specific instructions for using ACH will be provided by Rural Development prior to the first scheduled payment.

5. If the Application Materials describe a Project that will be funded, developed, owned, leased, managed or operated by other participants, the Intermediary shall ensure that those participants abide by the Application Materials and this Agreement.
6. The Intermediary shall maintain a certified list of expenditures and attachments as described in this section at its premises for review by Government representatives, auditors or others conducting a review or audit of the Intermediary and the expenditure of the Loan proceeds.

The Intermediary shall require the Ultimate Recipient to provide an itemized list of Project expenditures for Approved Purposes from Loan proceeds and include a certification to the effect "I certify that the proceeds of the rural economic development loan from South Kentucky Rural Electric Cooperative Corporation were expended on Approved Purposes as shown on this list per the attached invoices, receipts, bills of sale, and other evidence." The Intermediary shall require in its agreement with the Ultimate Recipient that the invoices, receipts, bills of sale, and other evidence must at least total the amount of funds that have been provided to the Ultimate Recipient from Loan proceeds. The certified list must be provided upon completion of the Project or by the first anniversary of the date of the advance of funds to the Ultimate Recipient, whichever occurs first. If all funds have not been expended by the first anniversary, the Ultimate Recipient must also provide to the Intermediary a statement of its intended expenditure schedule. Upon completion of the Project, the Ultimate Recipient must provide to the Intermediary a final certified list of the expenditures including the attachments.

The Intermediary shall require the Ultimate Recipient to expend the Intermediary's loan funds from the proceeds of the Loan by the second anniversary of the initial advance of funds to the Ultimate Recipient, or such later date as Rural Development approves in writing. The Intermediary shall require the Ultimate Recipient to return all funds provided to the Ultimate Recipient from Loan proceeds that have not been spent by the second anniversary of the initial advance of funds to the Ultimate Recipient, or such later date as Rural Development approves in writing. The Intermediary shall return as a prepayment on the Note all unexpended funds that the Ultimate Recipient returns to the Intermediary.

7. The Intermediary shall permit Government officials to inspect and copy its records about the Project during regular business hours. If the Project is under the control of the Intermediary due to a servicing action, representatives of Rural Development may inspect the Project itself during regular business hours. If the Project is developed, owned, leased, managed or operated by others, the Intermediary shall obtain permission for Government representatives to inspect the Project and related records during regular business hours.

8. Unless otherwise approved in writing by Rural Development, the Intermediary shall promptly remit to Rural Development any principal payments made by the Ultimate Recipient on its note to the Intermediary in excess of the Ultimate Recipient's regularly scheduled payment, including any lump sum amount the Intermediary receives as partial or full prepayment of principal. In the event of partial prepayment, the Intermediary is obligated to continue making regular and uninterrupted monthly payments for the amount and on the date specified in the Note.
9. The Intermediary shall diligently monitor performance of the Ultimate Recipient to ensure that objectives proposed in the Application Materials are being achieved. The Intermediary shall submit a Project performance report to Rural Development on an annual basis, beginning one year from the advance of loan proceeds to the Ultimate Recipient (Advance) and concluding three years from the date of Advance or completion of the Project, whichever occurs later. The Project performance report shall describe: (i) the actual accomplishments of the Project, the number and types of jobs created and retained; (ii) the impact of the Project on the economy and quality of life of the rural community; (iii) reasons why any projections or objectives proposed in the Application Materials were not met, and (iv) any problems, delays, or adverse conditions which have occurred, or are anticipated, which may affect the attainment of overall objectives of the Project. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the delays, problems or adverse conditions. The Intermediary shall provide a final written performance report, accompanied by color photographs, including negatives, slides, or electric media, documenting the overall accomplishments of the Project, upon completion of the Project or three years from the Advance, whichever occurs later.
10. The Intermediary shall immediately notify Rural Development in writing whenever the Ultimate Recipient is delinquent, closes operations, transfers operations from the original Project site, or files bankruptcy.
11. The Intermediary shall comply with the Regulations, as amended, including, without limitation, any Federal regulations or Federal statutes applicable to Project activities.
12. The Intermediary agrees that when it pays all of its loans to the Rural Utility Service or Rural Telephone Bank then it will notify Rural Development and provide replacement security, subject to Government approval, for this loan. If the parties cannot negotiate an agreement within a reasonable time, including any additional Rural Development reporting, servicing, and monitoring requirements, then Intermediary shall pay the Note in full within 30 days of Rural Development's request.
13. The Intermediary will not require the Ultimate Recipient to obtain electric or telecommunications service from any specific utility.

14. The Intermediary covenants that the proceeds of the Loan shall be used solely for the purpose of providing funds for a loan from the Intermediary to the Ultimate Recipient. The loan shall be used solely for the purpose in the Intermediary's Application Materials, as subsequently approved by Rural Development for the Project.
15. The Intermediary further covenants that the proceeds of the Loan shall not be used to finance any costs or retire any debt incurred prior to the Application Date. The Intermediary also covenants that no material changes will be made in the Approved Purpose or the Project without prior written approval of Rural Development. Any material changes in the Approved Purpose or the Project will be set forth in a revised Project description to be prepared by the Intermediary and approved by Rural Development.
16. The Intermediary covenants that after loan closing between the Intermediary and the Ultimate Recipient, the Intermediary will deliver to Rural Development a copy of the executed Rural Development Loan Agreement, including lower tier debarment certification, the promissory note, and any security agreement entered into between the Intermediary and the Ultimate Recipient, together with a copy of the legal opinion rendered by Ultimate Recipient's counsel. The Intermediary further covenants that it will obtain Rural Development's written approval prior to revising or amending any agreement that has been reviewed and approved by Rural Development in connection with the advance of Loan funds, or executing, revising, or amending any other agreement between the Intermediary and the Ultimate Recipient.

C. Negative Covenant

The Intermediary shall not enter into or request Rural Development to approve any agreements which would permit third parties to fund, develop, manage, own, lease or operate the Project in a manner that would violate the Regulations or this Agreement.

D. Representations and Warranties

The Intermediary represents and warrants that on and as of the date first set forth above:

1. The Intermediary has been duly incorporated and validly exists as a corporation in good standing under the laws of the State of its incorporation with the corporate power and authority to perform its obligations under this Agreement, the Note, and the Regulations.
2. This Agreement, the Letter of Conditions and the Note have been duly authorized, executed and delivered by the Intermediary and such documents constitute the legal and binding agreements of the Intermediary, enforceable against the Intermediary in accordance with their respective terms, subject to: (i) applicable bankruptcy, reorganization, insolvency, moratorium and other laws of general application relating to or affecting creditors' rights generally, and: (ii) the application of general principles of equity regardless of whether such enforceability is considered in a proceeding in equity or at law.

3. The execution or the delivery by the Intermediary of this Agreement, the Letter of Conditions, and the Note; the consummation of the transactions contemplated herein or therein; and the fulfillment by the Intermediary of the terms hereof or thereof, do not conflict with or violate, result in a breach of or constitute a default under any term or provision of the articles of incorporation or by-laws of the Intermediary or any law or regulation or any order now applicable to the Intermediary of any court, regulatory body having jurisdiction over the Intermediary, or the terms of any indenture, deed of trust, mortgage, note, note agreement or instrument to which the Intermediary or any of its properties is bound. The Intermediary has not received any notice from any other party to any of the foregoing that a default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.
4. No approval, authorization, consent, order, registration, filing, qualification, license or permit of or with any state or Federal court or governmental agency or body having jurisdiction over the Intermediary is required by the Intermediary for the consummation by the Intermediary of the transactions contemplated by this Agreement, the Letter of Conditions, and the Note except such as have been obtained.
5. There is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator concerning the Intermediary, this Agreement, the Letter of Conditions, or the Note which, if adversely determined, would have a material adverse effect on the Intermediary's ability to perform its obligations under this Agreement, the Letter of Conditions, or the Note.
6. All information, reports and other papers and data furnished to Rural Development by the Intermediary concerning the application of the Intermediary for the Loan were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give Rural Development a true and accurate knowledge of the subject matter and no document furnished or other written statement made to Rural Development in connection with the Loan contains any untrue statement of a fact material to the financial condition of the Intermediary or the Project or omits to state such a material fact necessary in order to make the statements contained therein not misleading.
7. The Intermediary has reviewed the Regulations and understands and accepts the requirements which the Regulations impose upon it, which Regulations are expressly incorporated herein by reference.
8. The Intermediary does not expect or intend the Project to result primarily in the transfer of any existing employment or business activity from one area to another.

E. Miscellaneous

1. Every right or remedy herein conferred upon or reserved to the holder of the Note shall be cumulative and shall be in addition to every other right and remedy now or hereafter existing at law or in equity, or by statute or regulation.

2. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Agreement shall not affect the remaining portions hereof.
3. This Loan Agreement is entered into between the parties concerning a zero interest loan which Rural Development is making to the Intermediary pursuant to § 313 of the Rural Electrification Act of 1936, as amended, to promote rural economic development and job creation projects. Accordingly, so long as Rural Development shall, under the terms of this Agreement, be the holder of the Note, this Agreement, the Letter of Conditions and the Note shall each be governed by and construed in accordance with the laws of the United States and the regulations that govern § 313 of the Rural Electrification Act of 1936, as amended.
4. No changes may be made in the foregoing without the prior written approval of Rural Development. Until disbursed by the Intermediary for authorized Loan purposes, the Intermediary shall deposit the Loan proceeds in bank accounts that are fully insured by the Federal Deposit Insurance Corporation.

IN WITNESS WHEREOF, South Kentucky Rural Electric Cooperative Corporation, as Intermediary, has caused this Loan Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its duly authorized officers thereunto, and Rural Development has caused this Loan Agreement to be duly executed in its behalf, all as of the day and year first written above.

South Kentucky Rural Electric Cooperative Corporation
Intermediary

by: Allen Anderson
Intermediary President

(SEAL)

Attest: Amy DeLoe
Secretary

United States of America
by: Thomas G. Fern
State Director
Rural Business-Cooperative Service

LOAN AGREEMENT

LOAN AGREEMENT (this "Agreement") dated as of September 28, 2010, between SOUTH KENTUCKY 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 or a series of loans for the purpose of refinancing certain of its existing indebtedness, as more fully described on 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 (including but not limited to that prescribed by the financial and statistical report required by RUS, commonly known as the "RUS Form 7"), 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 as defined in Schedule 1.

“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.

“CREB Provisions” shall mean the specific covenants relating to funds requisition, tax status of the CREBs and completion and termination certificates contained in any loan agreements related to a clean renewable energy project of the Borrower funded by proceeds of one or more series of clean renewable energy bonds issued by CFC.

“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, and (v) cash received in respect of generation and transmission and other capital credits, 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 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” Draw Period shall mean the period of beginning on the date hereof and ending on the date that is one year thereafter.

“Environmental Laws” shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which 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 set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

“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.

“Mortgagee” shall mean each of CFC, RUS, and each other lender which shall hereafter become a mortgagee under the terms of the Mortgage.

“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 notes, 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, 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.

“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.

“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).

“RUS” shall mean the Rural Utilities Service, an agency of the United States Department of Agriculture, or if at any time after the execution of this Agreement RUS is not existing and performing the duties of administering a program of rural electrification as currently assigned to it, then the entity performing such duties at such time.

“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 agency of government, 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 of any of its obligations to RUS or, 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 charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental 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 exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) 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 and any state public service 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 any of the Mortgagees, 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) 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) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of 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. CFC agrees to make one or more Advances for the purpose of refinancing certain of Borrower's existing indebtedness to any Mortgagee, as more fully described on Schedule 1 hereto, in an aggregate principal amount not to exceed the CFC Commitment, *provided, however,* that Borrower shall not request, and CFC shall have no obligation to advance, an amount greater than 105% of the outstanding principal balance of the indebtedness that is being refinanced. The obligation of the Borrower to repay Advances shall be evidenced by the Note. The Borrower shall give CFC written notice of the date on which each Advance is to be made. Advances shall be remitted by CFC directly to the Mortgagee whose indebtedness the Borrower is refinancing. Borrower shall provide CFC with wiring instructions and/or such other information as is necessary to remit funds pursuant hereto.

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 as set forth therein, *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) The principal amount of each Advance shall amortize over a period not to exceed seventeen (17) years from the date of such Advance according to the amortization method set forth in Schedule 1 hereto, *provided, however,* that such period shall not 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.

(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.

(v) Notwithstanding anything to contrary contained herein, the weighted average life of a Note shall not be greater than the weighted average remaining life of the notes being refinanced with the proceeds of such Note.

B. Application of Payments. Each payment shall be applied to the Obligations, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, and the balance to principal.

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 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.

(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 fee 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 first to fees, second to the payment of accrued and unpaid interest, and then to the unpaid balance of the principal amount of the applicable Advance. If the Advance bears interest at the CFC Variable Rate, the Borrower may prepay the Advance or any portion thereof, as the case may be, at any time subject to the terms hereof and said prepayment fee shall be in an amount equal to thirty three (33) basis points times the amount being prepaid. If the Advance bears interest at a CFC Fixed Rate, the Borrower may (a) prepay the Advance on the day before an Interest Rate Reset Date provided that the Borrower shall pay a prepayment fee in an amount equal to thirty three (33) basis points times the amount being prepaid or (b) any such other date provided that the Borrower shall pay a prepayment fee in an amount equal to thirty three (33) basis points times the amount being prepaid plus 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 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 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 The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

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

B. Documents. CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

C. Government Approvals. The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities (including RUS) necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

D. Representations and Warranties. 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.

E. 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 applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

F. 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 applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. Notification of Refinancing. On or before the first Advance, Borrower shall have notified each Mortgagee of the refunding or refinancing contemplated herein, as required by Section 2.02 of the Mortgage, with such notice to be in form and substance satisfactory to CFC.

H. 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.

I. 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. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

J. Special Conditions. CFC shall be fully satisfied that the Borrower has complied with all special conditions 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 all Notes 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 Certificate. 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 that 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. 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 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 anyway 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.

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 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, 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. 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 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. Subject to the terms of the Mortgage, 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.

(i) Make any Distribution if an Event of Default under this Agreement has occurred and is continuing; or

(ii) Make a Distribution in any calendar year in an amount greater than thirty percent (30%) of the Borrower's total margins for the preceding calendar year, unless, after giving effect to the Distribution, the total Equity of the Borrower will be at least twenty percent (20%) of its Total Assets.

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 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 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, (iii) mailing address, or (iv) organizational identification number, if it has one, 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, 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) 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 of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then 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 Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to 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;
- (v) Pursue 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 telecopy) 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 telecopy, 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:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

Section 8.02 Expenses. 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 basis points.

Section 8.03 Late Payments. If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the 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 Loan 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 agency 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, (b) the CREB Provisions, and (c) 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 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 Rescission of Excess Commitment. Any amount of the CFC Commitment not required for the purpose set forth in Schedule 1 shall be rescinded by CFC and the CFC Commitment shall automatically be reduced by such amount without fee.

Section 8.18 Schedule 1. Schedule 1 attached hereto is an integral part of this Agreement.

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

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

(SEAL)

By: 
Title: 

Attest: 
Secretary

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

ELAINE M. MACDONALD

By: 
Assistant Secretary-Treasurer

Attest:  Kerry Rollins
Assistant Secretary-Treasurer

SCHEDULE 1

1. The purpose of this loan is to refinance up to 105% of the outstanding principal balance of certain indebtedness of the Borrower to RUS.
2. The aggregate CFC Commitment is \$10,074,440.00. 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. The Mortgage shall mean the Restated Mortgage and Security Agreement dated as of September 1, 2005 among the Borrower, CFC and RUS, as it may have been or shall be supplemented, amended, consolidated, or restated from time to time.
4. The Notes executed pursuant hereto and the amortization method for such Notes are as follows:

LOAN NUMBER	AMOUNT	AMORTIZATION METHOD
KY054-A-9027	\$10,074,440.00	Level Debt Service

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

Name of Subsidiary	% of Borrower's ownership
South Kentucky Services Corporation	100%
7. The date of the Borrower's balance sheet referred to in Section 2.01.H is August 31, 2009.
8. The Borrower's exact legal name is: South Kentucky Rural Electric Cooperative Corporation
9. The Borrower's organizational type is: Corporation
10. The Borrower is organized under the laws of the state of: Kentucky
11. The Borrower's organizational identification number is: 0047666
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 925 N. Main Street, Somerset, Kentucky 42502-0910.
13. The Governmental Authority referred to in Section 2.01.J. is: None
14. The special conditions referred to in Section 4.01.J are: None
15. The special covenants referred to in Section 5.01.O are as follows: None
16. The address for notices to the Borrower referred to in Section 8.01 is P.O. Box 910,

Somerset, Kentucky 42502-0910, Attention: General Manager, Fax: (606) 679-8279.



**Loan Funds Requisition Statement
 Refinance of RUS 5% Loans**

Borrower Name: _____ Co-op ID: _____
 Date of Advance: _____


Amount requested to prepay the following RUS loans:

Loan Designation and Account No.	Principal to be Paid	Interest to be Paid	Total Payment
Total amount to be wired directly to RUS by CFC for Borrower			

Officer's Certification

I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on behalf of the Borrower (each such request, an "Advance") in accordance with the loan agreement governing the Advance (the "Loan Agreement"); (2) no Event of Default (as defined in the Loan Agreement) has occurred and is continuing; (3) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to the Advance, would become such an Event of Default; (4) all of the representations and warranties made in the Loan Agreement are true; (5) the Borrower has satisfied each other condition to the Advance as set forth in the Loan Agreement; and (6) the proceeds of the Advance will be used only for the purposes permitted by the Loan Agreement. I hereby authorize CFC to make Advances on the following terms, and hereby agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement:

Facility No.	Advance No.	Advance Amount	Advance Term (Years)	Loan Maturity	Amortization Type	Interest Rate	Rate Term	Rate Maturity	Principal Deferral (Years)	1st Prin Pymt Date
Total										

Certified By: X  Date: _____
 Signature

Richard G. STEPHENS
 Print Name

CHAIRMAN
 Title

Please fax to CFC at 703.709.6776 ATTN: _____ (AVP)

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into this 15th day of September, 2016, by and between SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, a Kentucky corporation, with its principal office located at 925-929 North Main Street, P.O. Box 910, Somerset, Kentucky 42502 ("SKRECC") and DR. SCHNEIDER AUTOMOTIVE SYSTEMS, INC., a Michigan corporation, duly authorized to transact business in Kentucky, with its principal office located at 223 Progress Drive, Russell Springs, Kentucky 42642 ("Dr. Schneider").

WHEREAS:

1. SKRECC filed an application and supporting material (collectively, the "Application Materials") with the United States of America (the "Government") for a One Million Dollar (\$1,000, 000.00) interest free loan pursuant to Section 313 of the Rural Electrification Act of 1936, as amended (the "Act") and 7 CFR Part 1703, Subpart B-Rural Economic Development Loan and Grant Program (the "Regulations");
2. The application was filed for the purpose of obtaining proceeds to, in turn, be lent (the "Loan") to Dr. Schneider, to be used solely to promote rural economic development as more particularly described in the Application Materials (the "Project"); and
3. The parties hereto desire to set forth in writing their understanding and agreement concerning the terms and conditions of the loan to be made by SKRECC to Dr. Schneider with the aforementioned proceeds,

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained, SKRECC and Dr. Schneider agree follows:

1. **LOAN TERMS:**

- a. SKRECC shall lend a total of One Million Dollars (\$1,000,000.00) to Dr. Schneider to be used solely to promote rural economic development as more particularly described in the Application Materials, as those materials may have been modified by the Letter of Conditions dated March 31, 2016, between SKRECC and the Government.

- b. Dr. Schneider shall repay the Loan in accordance with the promissory note (the "Note") to be executed by Dr. Schneider and made payable to SKRECC. Dr. Schneider shall begin to repay the Loan on the date set forth in the Note and shall continue paying without interruption until all indebtedness associated with the Loan has been repaid in full on or before the final maturity date of the Note.
- c. The Loan will not bear interest although indebtedness not paid when due will be subjected to late charges, and other costs as provided in CFR Part 1703, and in the Note.

2. SECURITY:

- a. Payment of the Loan shall be secured by an irrevocable letter of credit issued by a banking company, either state or national, the terms of which letter of credit shall meet the approval of SKRECC and the Government. SKRECC shall not be obligated to fund the Loan until Dr. Schneider provides to SKRECC the original irrevocable letter of credit referenced herein.

3. AFFIRMATIVE COVENANTS:

- a. Dr. Schneider shall execute and deliver its Note to SKRECC in the form attached hereto as Exhibit "A" in order to evidence its obligation to repay the Loan by the terms of this Agreement and the Note. Dr. Schneider shall pay all indebtedness evidenced by the Note in the manner and at the times described therein.
- b. Dr. Schneider shall promptly use the proceeds of the Loan only in the manner and exclusively for the purposes set forth in the Application Materials as previously approved by the Government and in accordance with this Agreement, and the Regulations (as they may be amended from time to time). No changes may be made in the foregoing without the prior written approval of SKRECC and the Government.
- c. Dr. Schneider shall make all payments pursuant to the Note by wire transfer to a special account at the bank specified by SKRECC or, if notified by SKRECC in writing to do so, any other reasonable method of payment specified by SKRECC.

- d. Dr. Schneider shall (1) provide an itemized list with attached invoices, receipts, bills of sale, and other evidence to SKRECC that shows the expenditures made on the Project for the approved purposes using the proceeds of the Loan and include a signed certification from an authorized official of Dr. Schneider on this list to the effect "I certify that the proceeds of the rural economic development loan from South Kentucky Rural Electric Cooperation Corporation were expended on the approved purposes as shown on this list and the attached invoices, receipts, bills of sale, and other evidence represent the items shown on this list" and (2) attach the invoices, receipts, bills of sale, and other evidence representing the items shown on the list to the certification. The invoices, receipts, bills of sale, and other evidence must at least total the amount of funds that have been provided to Dr. Schneider using the proceeds of the Loan; the certified list must be provided upon completion of the Project or by the first anniversary of the date of the advance of funds to Dr. Schneider, whichever occurs first; if all funds have not been expended by the first anniversary, Dr. Schneider must provide to SKRECC a certified list of current expenditures and a statement of its intended expenditure schedule; and, upon completion of the Project, Dr. Schneider must provide to SKRECC a final certified list of the expenditures including the attachments.
- e. Upon completion of the Project, Dr. Schneider shall provide to SKRECC and the Government a management representation letter certifying to the statements in Exhibit B of the Letter of Conditions.
- f. Dr. Schneider shall expend loan funds by the second anniversary of the date of the advance of funds, or by such later date as SKRECC and the Government may approve in writing in furtherance of the purposes of the Rural Electrification Act of 1936 as amended. Dr. Schneider shall return to SKRECC all loan funds that have not been expended by the second anniversary of the date of the advance of funds to Dr. Schneider, or by such later date as SKRECC and the Government have approved.
- g. Dr. Schneider shall permit SKRECC and Government officials to inspect and copy its records about the Project during regular business hours.

- h. SKRECC may monitor performance of Dr. Schneider with respect to the Project to ensure that the objectives as proposed in the Application Materials are being achieved. Beginning one year from the date of the advance of Loan Proceeds to Dr. Schneider and concluding three (3) years from the date of advance or upon completion of the Project as proposed in the Application Materials, whichever date occurs later, Dr. Schneider shall submit a project performance report to SKRECC on an annual basis. The project performance report shall describe (1) the actual accomplishments of the Project, setting forth the number and types of jobs created and retained; (2) the impact of the Project on the economy and quality of life of the rural community; (3) reasons why any projections or objectives as proposed in the Application Materials were not met, and (4) any problems, delays, or adverse conditions which have occurred, or are anticipated, which may affect the attainment of overall objectives of the Project. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the delays, problems or adverse conditions. Upon completion of the Project or three (3) years from the date of advance of Loan Proceeds, whichever occurs later, Dr. Schneider shall provide a final written performance report, accompanied by color photographs, including negatives or slides, documenting the overall accomplishments of the Project.
- i. Dr. Schneider shall immediately notify SKRECC in writing of any occurrence which results in the discontinuance of payment by Dr. Schneider on its Note to SKRECC, the closure of operations of Dr. Schneider, the transfer of operations by Dr. Schneider from the original Project site described in the Application Materials, or the institution of bankruptcy proceeds involving Dr. Schneider.
- j. Dr. Schneider shall comply with the Regulations, as they may be amended from time to time, including without limitation, any federal regulations or federal statutes which the Regulations identify as being applicable to activities contemplated by the Application Materials or this Agreement.
- k. Dr. Schneider shall comply with 7 CFR Part 3017, Subpart C as a condition of participating in this transaction. Dr. Schneider will notify SKRECC if it or its

principals are presently excluded or disqualified pursuant to such regulation. Dr. Schneider shall also communicate the requirement to comply with 7 CFR Part 3017, Subpart C to each person with whom Dr. Schneider enters into a covered transaction.

- l. In addition to monthly Loan repayments, annually Dr. Schneider shall pay SKRECC a service fee not to exceed one percent (1%) of the then outstanding principal of the Loan. The first annual service fee shall be due and payable within thirty (30) calendar days of the initial closing of the Loan; thereafter, the annual payments of service fees shall not be deferred in any respect and shall be due and payable within thirty (30) calendar days of each anniversary of the initial closing of the Loan. All payments of the annual service fee shall be made in accordance with the amortization schedule attached to, and made a part of, the Note.

4. REPRESENTATIONS AND WARRANTIES:

Dr. Schneider represents and warrants that on and as of the date of this Agreement:

- a. Dr. Schneider has been duly organized and is a validly existing Michigan corporation and that it is in good standing under the laws of the State of Kentucky with the power and authority to perform its obligations under this Agreement, the Note and the Regulations.
- b. This Agreement and the Note have been duly authorized, executed and delivered by Dr. Schneider and such documents constitute the legal and binding agreements of Dr. Schneider enforceable against Dr. Schneider in accordance with their respective terms, subject to (i) applicable bankruptcy, reorganization, insolvency, moratorium and other laws of general application relating to or affecting creditors' rights generally; and, (ii) the application of general principles of equity regardless of whether such enforceability is considered in a proceeding in equity or at law.
- c. The execution or delivery by Dr. Schneider of this Agreement and the Note; the consummation of transactions contemplated herein or therein; and the fulfillment by Dr. Schneider of the terms hereof or thereof, do not conflict with

or violate, result in a breach of or constitute a default under any term or provision of the articles of incorporation or by-laws of Dr. Schneider or any law or regulation or any order now applicable to Dr. Schneider of any court or regulatory body having jurisdiction over Dr. Schneider or the terms of any indenture, deed of trust, mortgage, note, note agreement or instrument to which Dr. Schneider or any of its properties is bound. Dr. Schneider has not received any notice from any other party to any of the foregoing that default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.

- d. There is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator concerning Dr. Schneider, this Agreement or the Note which, if adversely determined, would have a material adverse effect upon Dr. Schneider's ability to perform its obligations under this Agreement or the Note.
- e. All information, reports and other papers and data furnished to SKRECC by Dr. Schneider concerning the application of Dr. Schneider for the Loan were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give SKRECC a true and accurate knowledge of the subject matter and no document furnished or other written statement made to SKRECC in connection with the Loan contains any untrue statement of a fact material to the financial condition of Dr. Schneider, or the Project or omits to state such material fact necessary in order to make the statement contained therein not misleading.
- f. Dr. Schneider has reviewed the Regulations and understands and accepts the requirements which the Regulations impose upon it.
- g. Dr. Schneider does not expect or intend the Project to result primarily in the transfer of any existing employment or business activity from one area to another.

5. DEFAULT:

- a. Upon the occurrence of an event of default as defined in this Agreement, the holder of the Note may declare all or any portion of the indebtedness arising

under this Agreement, including indebtedness evidenced by the Note, to be immediately due and payable and may proceed to enforce its rights under this Agreement and the Note.

b. As used in this Agreement the term "event of default" shall mean the occurrence of any of the following:

1. any principal installment is not paid within thirty (30) days of the date in which it is required to be made, whether by acceleration or not;
2. failure, inability or unwillingness of Dr. Schneider to carry out or comply with, or cause to be carried out or complied with the specific undertakings described in the Application Materials as approved by SKRECC and the Government in the Letter of Conditions;
3. any representation or warranty made by Dr. Schneider herein, in the Application Materials, or in any certificate or report furnished by or on behalf of Dr. Schneider about any of the foregoing shall prove to be false, incomplete or incorrect in any material respect;
4. default shall be made in the due observance or performance of any of the covenants, conditions or agreements of Dr. Schneider and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to Dr. Schneider by the holder of the Note;
5. commencement of a case in bankruptcy by or against Dr. Schneider, application for appointment of a receiver for, making a general assignment for the benefit of creditors by, or insolvency of Dr. Schneider; or
6. violation of the Regulations in any material respect, by officers, directors, employees or agents of Dr. Schneider and such violation shall continue for a period of thirty (30) days without being rectified to the satisfaction of SKRECC after written notice specifying such default and requiring the same to be rectified has been given by SKRECC to Dr. Schneider.

6. MISCELLANEOUS:

- a. Every right or remedy herein conferred upon or reserved to the holder of the Note shall be cumulative and shall be in addition to every other right and remedy now or hereinafter existing at law or equity, or by statute or regulation.
- b. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Agreement shall not affect the remaining portions hereof.

- c. In the event that SKRECC shall sell the Note to an insured purchaser as provided in the Act, SKRECC, and not the insured purchaser, shall be considered to be, and shall have the rights of, the holder of the Note for purposes of this Agreement.

IN WITNESS WHEREOF, SKRECC and Dr. Schneider have caused this Loan Agreement to be duly executed on their behalf, all as of the date and year first above written.

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

BY: ALLEN ANDERSON, CEO

Allen Anderson
Signature

ITS: President/CEO
Title

DR. SCHNEIDER AUTOMOTIVE
SYSTEMS, INC.

BY: TORJEN LANGBATH
Printed Name

[Signature]
Signature

ITS: PLANT MANAGER
Title

STATE OF KENTUCKY
COUNTY OF PULASKI

I, MARK D. GOSS the undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 15th day of September, 2016, produced to me in said state and county and was then and there acknowledged and sworn to before me by South Kentucky Rural Electric Cooperative Corporation, by and through Allen Anderson, its CEO, to be the voluntary act and deed of said corporation.

My Commission Expires: 7/23/20

[Signature]
NOTARY PUBLIC/STATE AT LARGE

STATE OF KENTUCKY
COUNTY OF PULASKI

I, MARK D. GROSS the undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 15th day of September, 2016, produced to me in said state and county and was then and there acknowledged and sworn to before me by Dr. Schneider Automotive Systems, Inc., by and through TORSTEN LANGGUTH (name), its Plant MGR. (title), to be the voluntary act and deed of said corporation.

My Commission Expires: 7/23/20


NOTARY PUBLIC/STATE AT LARGE

EXHIBIT A

PROMISSORY NOTE

LOAN AGREEMENT

THIS AGREEMENT, made and entered into this 23rd day of April, 2018, by and between SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE COMPANY, a Kentucky Corporation, with its principal office located at 200 Electric Avenue, P.O. Box 910, Somerset, Kentucky 42502 ("SKRECC"), and MARINA AT ROWENA, LLC, a Kentucky Limited Liability Company, with its principal office located at 200 East Cumberland St., P.O. Box 70, Albany, Kentucky 42602 ("Marina").

WHEREAS:

1. SKRECC filed an application and supporting material (collectively, the "Application Materials") with the United States of America (the "Government") for a One Million Dollar (\$1,000,000.00) interest free loan pursuant to Section 313 of the Rural Electrification Act of 1936, as amended (the "Act") and 7 CFR Part 1703, Subpart B-Rural Economic Development Loan and Grant Program (the "Regulations");
2. The application was filed for the purpose of obtaining proceeds to, in turn, be lent (the "Loan") to Marina, to be used solely to promote rural economic development as more particularly described in the Application Materials (the "Project"); and
3. The parties hereto desire to set forth in writing their understanding and agreement concerning the terms and conditions of the loan to be made by SKRECC to Marina with the aforementioned proceeds.

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained, SKRECC and Marina agree as follows:

1. LOAN TERMS:

- a. SKRECC shall lend a total of One Million Dollars (\$1,000,000.00) to Marina to be used solely to promote rural economic development as more particularly described in the Application Materials, as those materials may have been modified by the Letter of Conditions dated September 14, 2017, between SKRECC and the Government.

- b. Marina shall repay the Loan in accordance with the promissory note (the "Note") to be executed by Marina and made payable to SKRECC. Marina shall begin to repay the Loan on the date set forth in the Note and shall continue paying without interruption until all indebtedness associated with the Loan has been repaid in full on or before the final maturity date of the Note.
- c. The Loan will not bear interest although indebtedness not paid when due will be subjected to late charges, and other costs as provided in CFR Part 1703, and in the Note.

2. SECURITY:

- a. Payment of the Loan shall be secured by an Irrevocable Letter of Credit issued by a banking company, either state or national, the terms of which Irrevocable Letter of Credit shall meet the approval of SKRECC and the Government. SKRECC shall not be obligated to fund the Loan until Marina surrenders control of the original Irrevocable Letter of Credit referenced herein to SKRECC which is in an amount sufficient to fully collateralize the Loan.

3. AFFIRMATIVE COVENANTS:

- a. Marina shall execute and deliver the Note to SKRECC in the form attached hereto as Exhibit "A" in order to evidence its obligation to repay the Loan by the terms of this Agreement and the Note. Marina shall pay all indebtedness evidenced by the Note in the manner and at the times described therein.
- b. Marina shall promptly use the proceeds of the Loan only in the manner and exclusively for the purposes set forth in the Application Materials as previously approved by the Government and in accordance with this Agreement, and the Regulations (as they may be amended from time to time). No changes may be made in the foregoing without the prior written approval of SKRECC and the Government.

- c. Marina shall make all payments pursuant to the Note by wire transfer to a special account at the bank specified by SKRECC or, if notified by SKRECC in writing to do so, any other reasonable method of payment specified by SKRECC.
- d. Marina shall (1) provide an itemized list with attached invoices, receipts, bills of sale, and other evidence to SKRECC that shows the expenditures made on the Project for the approved purposes using the proceeds of the Loan and include a signed certification from an authorized official of Marina on this list to the effect "I certify that the proceeds of the rural economic development loan from South Kentucky Rural Electric Cooperation Corporation were expended on the approved purposes as shown on this list and the attached invoices, receipts, bills of sale, and other evidence represent the items shown on this list" and (2) attach the invoices, receipts, bills of sale, and other evidence representing the items shown on the list to the certification. The invoices, receipts, bills of sale, and other evidence must at least total the amount of funds that have been provided to Marina using the proceeds of the Loan; the certified list must be provided upon completion of the Project or by the first anniversary of the date of the advance of funds to Marina, whichever occurs first; if all funds have not been expended by the first anniversary, Marina must provide to SKRECC a certified list of current expenditures and a statement of its intended expenditure schedule; and, upon completion of the Project, Marina must provide to SKRECC a final certified list of the expenditures including the attachments.
- e. Upon completion of the Project, Marina shall provide to SKRECC and the Government a management representation letter certifying to the statements in Exhibit B of the Letter of Conditions.
- f. Marina shall expend loan funds by the second anniversary of the date of the advance of funds, or by such later date as SKRECC and

the Government may approve in writing in furtherance of the purposes of the Rural Electrification Act of 1936 as amended. Marina shall return to SKRECC all loan funds that have not been expended by the second anniversary of the date of the advance of funds to Marina, or by such later date as SKRECC and the Government have approved.

- g. Marina shall permit SKRECC and Government officials to inspect and copy its records about the Project during regular business hours.
- h. SKRECC may monitor performance of Marina with respect to the Project to ensure that the objectives as proposed in the Application Materials are being achieved. Beginning one year from the date of the advance of Loan Proceeds to Marina and concluding three (3) years from the date of advance or upon completion of the Project as proposed in the Application Materials, whichever date occurs later, Marina shall submit a project performance report to SKRECC on an annual basis. The project performance report shall describe (1) the actual accomplishments of the Project, setting forth the number and types of jobs created and retained; (2) the impact of the Project on the economy and quality of life of the rural community; (3) reasons why any projections or objectives as proposed in the Application Materials were not met, and (4) any problems, delays, or adverse conditions which have occurred, or are anticipated, which may affect the attainment of overall objectives of the Project. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the delays, problems or adverse conditions. Upon completion of the Project or three (3) years from the date of advance of Loan Proceeds, whichever occurs later, Marina shall provide a final written performance report, accompanied by color photographs, including negatives or slides, documenting the overall accomplishments of the Project.

- i. Marina shall immediately notify SKRECC in writing of any occurrence which results in the discontinuance of payment by Marina on its Note to SKRECC, the closure of operations of Marina, the transfer of operations by Marina from the original Project site described in the Application Materials, or the institution of bankruptcy proceedings involving Marina.
- j. Marina shall comply with the Regulations, as they may be amended from time to time, including without limitation, any federal regulations or federal statutes which the Regulations identify as being applicable to activities contemplated by the Application Materials or this Agreement.
- k. Marina shall comply with 7 CFR Part 3017, Subpart C as a condition of participating in this transaction. Marina will notify SKRECC if it or its principals are presently excluded or disqualified pursuant to such regulation. Marina shall also communicate the requirement to comply with 7 CFR Part 3017, Subpart C to each person with whom Marina enters into a covered transaction.
- l. In addition to monthly Loan repayments, annually Marina shall pay SKRECC a service fee not to exceed one percent (1%) of the then outstanding principal of the Loan. The first annual service fee shall be due and payable on the date of the initial closing of the Loan; thereafter, the annual payments of service fees shall not be deferred in any respect and shall be due and payable on April 1 of each year during the term of this loan. All payments of the annual service fee shall be made in accordance with the amortization schedule attached to, and made a part of, the Note.

4. REPRESENTATIONS AND WARRANTIES:

Marina represents and warrants that on and as of the date of this Agreement:

- a. Marina has been duly organized and is a validly existing Kentucky Limited Liability Company and that it is in good standing under the laws of the State of Kentucky with the power and authority to perform its obligations under this Agreement, the Note and the Regulations.
- b. This Agreement and the Note have been duly authorized, executed and delivered by Marina and such documents constitute the legal and binding agreements of Marina enforceable against Marina in accordance with their respective terms, subject to (i) applicable bankruptcy, reorganization, insolvency, moratorium and other laws of general application relating to or affecting creditors' rights generally; and, (ii) the application of general principles of equity regardless of whether such enforceability is considered in a proceeding in equity or at law.
- c. The execution or delivery by Marina of this Agreement and the Note; the consummation of transactions contemplated herein or therein; and the fulfillment by Marina of the terms hereof or thereof, do not conflict with or violate, result in a breach of or constitute a default under any term or provision of the articles of incorporation or by-laws of Marina or any law or regulation or any order now applicable to Marina of any court or regulatory body having jurisdiction over Marina or the terms of any indenture, deed of trust, mortgage, note, note agreement or instrument to which Marina or any of its properties is bound. Marina has not received any notice from any other party to any of the foregoing that default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.
- d. There is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator concerning Marina, this Agreement or the Note which, if

adversely determined, would have a material adverse effect upon Marina's ability to perform its obligations under this Agreement or the Note.

- e. All information, reports and other papers and data furnished to SKRECC by Marina concerning the application of Marina for the Loan were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give SKRECC a true and accurate knowledge of the subject matter and no document furnished or other written statement made to SKRECC in connection with the Loan contains any untrue statement of a fact material to the financial condition of Marina, or the Project or omits to state such material fact necessary in order to make the statement contained therein not misleading.
- f. Marina has reviewed the Regulations and understands and accepts the requirements which the Regulations impose upon it.
- g. Marina does not expect or intend the Project to result primarily in the transfer of any existing employment or business activity from one area to another.

5. DEFAULT:

- a. Upon the occurrence of an event of default as defined in this Agreement, the holder of the Note may declare all or any portion of the indebtedness arising under the Agreement, including indebtedness evidenced by the Note, to be immediately due and payable and may proceed to enforce its rights under this Agreement and the Note.
- b. As used in this Agreement the term "event of default" shall mean the occurrence of any of the following:
 - 1. Any principal installment due from Marina is not paid within thirty (30) days of the date in which it is required to be made, whether by acceleration or not;

2. Failure, inability or unwillingness of Marina to carry out or comply with, or cause to be carried out or complied with the specific undertakings described in the Application Materials as approved by SKRECC and the Government in the Letter of Conditions;
3. Any representation or warranty made by Marina herein, in the Application Materials, or in any certificate or report furnished by or on behalf of Marina about any of the foregoing shall prove to be false, incomplete or incorrect in any material respect;
4. Default shall be made in the due observance or performance of any the covenants, conditions or agreements of Marina and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to Marina by the holder of the Note;
5. Commencement of a case in bankruptcy by or against Marina, application for appointment of a receiver for, making a general assignment for the benefit of creditors by, or insolvency of Marina; or
6. Violation of the Regulations in any material respect, by officers, directors, employees or agents of Marina and such violation shall continue for a period of thirty (30) days without being rectified to the satisfaction of SKRECC after written notice specifying such default and requiring the same to be rectified has been given by SKRECC to Marina.

6. MISCELLANEOUS:

- a. Every right or remedy herein conferred upon or reserved to the holder of the Notice shall be cumulative and shall be in addition to every other right and remedy now or hereinafter existing at law or equity, or by statute or regulation.

- b. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Agreement shall not affect the remaining portions hereof.
- c. In the event that SKRECC shall sell the Note to an insured purchaser as provided in the Act, SKRECC, and not the insured purchaser, shall be considered to be, and shall have the rights of, the holder of the Note for purposes of this Agreement.

IN WITNESS WHEREOF, SKRECC and Marina have caused this Loan Agreement to be duly executed on their behalf, all as of the date and year first above written.

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

BY: DENNIS HOLT, PRESIDENT and CEO

Dennis Holt

Signature

ITS: President and Chief Executive Officer
Title

MARINA AT ROWENA, LLC

BY: TONY SLOAN
Printed Name

Tony Sloan
Signature

ITS: MANAGING MEMBER
Title

STATE OF KENTUCKY
COUNTY OF Pulaski

I, Tammy Cash, undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 23rd day of APRIL, 2018, produced to me in said state and county and was then and there acknowledged and sworn to before me by South Kentucky Rural Electric Cooperative Corporation, by and through Dennis Holt, its President and CEO, to be the voluntary act and deed of said corporation.

My Commission Expires: 12/7/21.

Tammy J. Cash
NOTARY PUBLIC/STATE AT LARGE
Notary ID 588474

STATE OF KENTUCKY
COUNTY OF Pulaski

I, Tammy Cash, undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 23rd day of APRIL, 202018 produced to me in said state and county and was then and there acknowledged and sworn to before me by Marina at Rowena, LLC, by and through Tony Sloan (name), its Managing member (title), to be the voluntary act and deed of said corporation.

My Commission Expires: 12/7/21.

Tammy J. Cash
NOTARY PUBLIC/STATE AT LARGE
Notary ID 588474

DATE: 04/23/2018

PROMISSORY NOTE

For value received, Marina at Rowena, LLC, a Kentucky Limited Liability Company, hereinafter the "Maker", with principal office located at 200 East Cumberland St., P.O. Box 70, Albany, Kentucky 42602, promises to pay to the order of South Kentucky Rural Electric Cooperative Corporation, hereinafter "SKRECC", at the times and manner hereinafter provided, the sum of One Million Dollars (\$1,000,000.00), without interest, in equal and successive monthly installments of Ten Thousand Four Hundred Sixteen Dollars and Sixty-Six Cents (\$10,416.66), commencing on the 1st day of April, 2020, with succeeding monthly payments due on the first day of each month thereafter until the principal sum stated above has been paid in full on or before the final maturity date of this Promissory Note (this "Note") which shall be on the 23 day of April, 2020. Due to rounding of the amortized installments, the final payment will be Ten Thousand Four Hundred Seventeen Dollars and Thirty Cents (\$10,417.30). The payment schedule to be utilized by Maker is that certain "Amortization Schedule" attached hereto and made a part of this Note as "Exhibit A." Maker shall have the right to prepay the obligation set forth in this Note in whole or in part at any time without penalty; provided, however, that in the event of a partial prepayment, the Maker shall be obligated to continue making regular and uninterrupted monthly payments for the amount and on the monthly payment date specified in this Note so long as any portion of the loan evidenced by this Note remains unpaid.

The Maker also promises to pay an annual service fee to SKRECC, which fee shall not exceed one percent (1%) of the then outstanding principal. The first annual service fee shall be due and payable on the date of the initial closing of the Loan; thereafter, the annual payments of service fees shall not be deferred in any respect and shall be due and payable on April 1 of each year during the term of this loan. All payments of the annual service fee shall be made in accordance with the amortization schedule attached as "Exhibit A" to this Note.

Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived.

In the event: (1) nonpayment when due of any payment due under this Notice; (2) failure of Maker to maintain the Irrevocable Letter of Credit securing the indebtedness for the entire term of this Note, whether by the failure of any banking company to renew the Irrevocable Letter of Credit or otherwise or if the banking company issuing the Irrevocable Letter of Credit notifies SKRECC within one hundred twenty (120) days before expiration of any term of same that it does not intend to renew; or (3) a default occurs under the Loan Agreement between SKRECC and Maker, other than nonpayment or failure to maintain the Irrevocable Letter of Credit, and such default other than nonpayment or failure to maintain the Irrevocable Letter of Credit, continues for a period of thirty (30) days, then at the option of the holder of this Note, all of the amount then owing under this Note shall immediately become due and payable. The failure to assert this right shall not be deemed a waiver of any future default. In such event the Maker shall also pay the holder of this Note for all reasonable costs and expenses of collection, including reasonable attorney fees.

So long as this Note shall be held by SKRECC, the Maker shall pay a late charge on any payment not made within ten (10) days of the date it becomes due as originally scheduled or otherwise. The late charges shall be computed on the payment from the due date at a rate equal to the rate of the current value of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins either annually or quarterly, as the case may be, in accordance with 31 U.S.C. Section 3713. Maker shall also pay administrative costs and penalty charges as SKRECC may now and hereafter prescribe pursuant to 4 CFR Section 102.13(d) and (e), respectively. If this Note is transferred by SKRECC, whether for collection or otherwise, any payment not paid within ten (10) days of the date it becomes due, as originally scheduled or otherwise, shall thereafter be subject to a late charge computed from the due date at a rate equal to the judgment rate prescribed by the Commonwealth of Kentucky.

Amounts received on account of indebtedness evidenced by this Note shall be applied as follows: first to expenses, costs and penalties; second to late charges; third to principal payments which are past due; and fourth to principal installments not yet due.

This Note is given in accordance with, and is required by, the terms and conditions of a certain Rural Development Loan Agreement between SKRECC and the United States of America dated as of April 23, 2018, receipt of a true copy of which is acknowledged by Maker and evidences indebtedness created by a loan made by the United States of America pursuant to Section 313 of the Rural Electrification Act of 1936, as amended, to SKRECC.

IN WITNESS WHEREOF, the Maker has caused this Note to be executed in its corporate name and attested by its duly authorized officers, all as of the day and year written below.

This 23rd day of April, 2018.

MARINA AT ROWENA, LLC - MAKER

BY: TONY SIOAN
Printed Name

Tony Sloan
Signature

ITS: MANAGING MEMBER
Title

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

BY: DENNIS HOLT, President and CEO

Dennis Holt
Signature

ITS: President and Chief Executive Officer
Title

Compound Period: Monthly
Nominal Annual Rate: 0.000%

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
Loan	4/23/2018	1,000,000.00			
Payment	4/1/2020	10,416.66	95	Monthly	2/1/2028
Payment	3/1/2028	10,417.30	1		
Maturity	4/23/2028	0.00			

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Principal Payment	Loan Balance After Payment	Service Fee Due Date	1% Annual Service Fee
Closing of Loan	4/23/2018		1,000,000.00	4/23/2018	\$10,000.00
	4/1/2019		1,000,000.00	4/1/2019	\$10,000.00
Payment 1	4/1/2020	\$10,416.66	\$989,583.34	4/1/2020	\$9,895.83
Payment 2	5/1/2020	\$10,416.66	\$979,166.68		
Payment 3	6/1/2020	\$10,416.66	\$968,750.02		
Payment 4	7/1/2020	\$10,416.66	\$958,333.36		
Payment 5	8/1/2020	\$10,416.66	\$947,916.70		
Payment 6	9/1/2020	\$10,416.66	\$937,500.04		
Payment 7	10/1/2020	\$10,416.66	\$927,083.38		
Payment 8	11/1/2020	\$10,416.66	\$916,666.72		
Payment 9	12/1/2020	\$10,416.66	\$906,250.06		
<i>2020 Totals</i>		\$93,749.94			
Payment 10	1/1/2021	\$10,416.66	\$895,833.40		
Payment 11	2/1/2021	\$10,416.66	\$885,416.74		
Payment 12	3/1/2021	\$10,416.66	\$875,000.08		
Payment 13	4/1/2021	\$10,416.66	\$864,583.42	4/1/2021	\$8,645.83
Payment 14	5/1/2021	\$10,416.66	\$854,166.76		
Payment 15	6/1/2021	\$10,416.66	\$843,750.10		
Payment 16	7/1/2021	\$10,416.66	\$833,333.44		
Payment 17	8/1/2021	\$10,416.66	\$822,916.78		
Payment 18	9/1/2021	\$10,416.66	\$812,500.12		
Payment 19	10/1/2021	\$10,416.66	\$802,083.46		
Payment 20	11/1/2021	\$10,416.66	\$791,666.80		
Payment 21	12/1/2021	\$10,416.66	\$781,250.14		
<i>2021 Totals</i>		\$124,999.92			
Payment 22	1/1/2022	\$10,416.66	\$770,833.48		
Payment 23	2/1/2022	\$10,416.66	\$760,416.82		



Payment 24	3/1/2022	\$10,416.66	\$750,000.16
Payment 25	4/1/2022	\$10,416.66	\$739,583.50
Payment 26	5/1/2022	\$10,416.66	\$729,166.84
Payment 27	6/1/2022	\$10,416.66	\$718,750.18
Payment 28	7/1/2022	\$10,416.66	\$708,333.52
Payment 29	8/1/2022	\$10,416.66	\$697,916.86
Payment 30	9/1/2022	\$10,416.66	\$687,500.20
Payment 31	10/1/2022	\$10,416.66	\$677,083.54
Payment 32	11/1/2022	\$10,416.66	\$666,666.88
Payment 33	12/1/2022	\$10,416.66	\$656,250.22
<i>2022 Totals</i>			\$124,999.92

Payment 34	1/1/2023	\$10,416.66	\$645,833.56
Payment 35	2/1/2023	\$10,416.66	\$635,416.90
Payment 36	3/1/2023	\$10,416.66	\$625,000.24
Payment 37	4/1/2023	\$10,416.66	\$614,583.58
Payment 38	5/1/2023	\$10,416.66	\$604,166.92
Payment 39	6/1/2023	\$10,416.66	\$593,750.26
Payment 40	7/1/2023	\$10,416.66	\$583,333.60
Payment 41	8/1/2023	\$10,416.66	\$572,916.94
Payment 42	9/1/2023	\$10,416.66	\$562,500.28
Payment 43	10/1/2023	\$10,416.66	\$552,083.62
Payment 44	11/1/2023	\$10,416.66	\$541,666.96
Payment 45	12/1/2023	\$10,416.66	\$531,250.30
<i>2023 Totals</i>			\$124,999.92

Payment 46	1/1/2024	\$10,416.66	\$520,833.64
Payment 47	2/1/2024	\$10,416.66	\$510,416.98
Payment 48	3/1/2024	\$10,416.66	\$500,000.32
Payment 49	4/1/2024	\$10,416.66	\$489,583.66
Payment 50	5/1/2024	\$10,416.66	\$479,167.00
Payment 51	6/1/2024	\$10,416.66	\$468,750.34
Payment 52	7/1/2024	\$10,416.66	\$458,333.68
Payment 53	8/1/2024	\$10,416.66	\$447,917.02
Payment 54	9/1/2024	\$10,416.66	\$437,500.36
Payment 55	10/1/2024	\$10,416.66	\$427,083.70
Payment 56	11/1/2024	\$10,416.66	\$416,667.04
Payment 57	12/1/2024	\$10,416.66	\$406,250.38
<i>2024 Totals</i>			\$124,999.92

Payment 58	1/1/2025	\$10,416.66	\$395,833.72
Payment 59	2/1/2025	\$10,416.66	\$385,417.06
Payment 60	3/1/2025	\$10,416.66	\$375,000.40
Payment 61	4/1/2025	\$10,416.66	\$364,583.74
Payment 62	5/1/2025	\$10,416.66	\$354,167.08
Payment 63	6/1/2025	\$10,416.66	\$343,750.42
Payment 64	7/1/2025	\$10,416.66	\$333,333.76
Payment 65	8/1/2025	\$10,416.66	\$322,917.10
Payment 66	9/1/2025	\$10,416.66	\$312,500.44

4/1/2022 \$7,395.84

4/1/2023 \$6,145.84

4/1/2024 \$4,895.84

4/1/2025 \$3,645.84

Payment 67	10/1/2025	\$10,416.66	\$302,083.78
Payment 68	11/1/2025	\$10,416.66	\$291,667.12
Payment 69	12/1/2025	\$10,416.66	\$281,250.46
2025 Totals		\$124,999.92	

Payment 70	1/1/2026	\$10,416.66	\$270,833.80
Payment 71	2/1/2026	\$10,416.66	\$260,417.14
Payment 72	3/1/2026	\$10,416.66	\$250,000.48
Payment 73	4/1/2026	\$10,416.66	\$239,583.82
Payment 74	5/1/2026	\$10,416.66	\$229,167.16
Payment 75	6/1/2026	\$10,416.66	\$218,750.50
Payment 76	7/1/2026	\$10,416.66	\$208,333.84
Payment 77	8/1/2026	\$10,416.66	\$197,917.18
Payment 78	9/1/2026	\$10,416.66	\$187,500.52
Payment 79	10/1/2026	\$10,416.66	\$177,083.86
Payment 80	11/1/2026	\$10,416.66	\$166,667.20
Payment 81	12/1/2026	\$10,416.66	\$156,250.54
2026 Totals		\$124,999.92	

Payment 82	1/1/2027	\$10,416.66	\$145,833.88
Payment 83	2/1/2027	\$10,416.66	\$135,417.22
Payment 84	3/1/2027	\$10,416.66	\$125,000.56
Payment 85	4/1/2027	\$10,416.66	\$114,583.90
Payment 86	5/1/2027	\$10,416.66	\$104,167.24
Payment 87	6/1/2027	\$10,416.66	\$93,750.58
Payment 88	7/1/2027	\$10,416.66	\$83,333.92
Payment 89	8/1/2027	\$10,416.66	\$72,917.26
Payment 90	9/1/2027	\$10,416.66	\$62,500.60
Payment 91	10/1/2027	\$10,416.66	\$52,083.94
Payment 92	11/1/2027	\$10,416.66	\$41,667.28
Payment 93	12/1/2027	\$10,416.66	\$31,250.62
2027 Totals		\$124,999.92	

Payment 94	1/1/2028	\$10,416.66	\$20,833.96
Payment 95	2/1/2028	\$10,416.66	\$10,417.30
Payment 96	3/1/2028	\$10,417.30	\$0.00
Maturity Date	4/23/2028	\$0.00	\$0.00
2028 Totals		31,250.62	

Grand Totals		1,000,000.00		\$64,166.69
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Form RD 4280-7
(07-15)

Form Approved
OMB No. 0570-0035

Primary Borrower ID # 77242202

PROMISSORY NOTE

Loan/Note Amount: \$1,000,000.00

Note Agreement
Date: 04/23/2018

For value received, South KY RECC, a corporation duly organized and existing under the laws of the State of Kentucky, ("Intermediary") promises to pay to the order of the United States of America ("Government"), at the times and in the manner hereinafter provided, the sum of ONE MILLION DOLLARS, \$ 1,000,000.00 without interest, in monthly installments on the last day of the month with a deferral period ending on 04/01, 20 20. Each payment shall be (a) substantially equal to all subsequent monthly payments and (b) in an amount that will pay all principal advanced on this note no later than the Maturity Date of 04/23, 20 28. The amortized payments will be billed to the Borrower by the Government in advance of the payment due date and shall be based on the actual amount then owed to the Government. The Intermediary shall have the right to prepay the obligation set forth in this note in whole or in part at any time without penalty; provided that in the event of a partial prepayment, the Intermediary shall be obligated to continue making regular and uninterrupted monthly payments for the amount and on the monthly payment date specified in this note, so long as any portion of the loan remains unpaid.

Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived.

In the event of nonpayment when due of any payment due under this note or if an event of default occurs under the Rural Development Loan Agreement described below, and such nonpayment or event of default continues for a period of thirty (30) days, then at the option of the holder of this note, the remaining balance under this note shall immediately become due and payable. The failure to assert this right shall not be deemed a waiver.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0035. The time required to complete this information collection is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The Intermediary shall pay a penalty on any payment not made within ninety (90) days of the date it becomes due as originally scheduled or otherwise. The penalty shall be computed on the payment from the due date at a rate equal to the rate of the current value of funds pursuant to 31 U.S.C. 3717(e)(2), not to exceed 6 percent a year on the amount due on a debt that is delinquent for more than ninety (90) days. This charge shall accrue from the date of delinquency. In addition, Intermediary shall pay administrative costs as the Government may now or hereafter prescribe pursuant to 31 CFR § 901.9.

Amounts received on account of indebtedness evidenced by this note shall be applied as follows: first to expenses, costs, and penalties; second to all principal that is past due and currently due; and third to principal not yet due.

Upon the occurrence of an event of default as defined below, the holder of this note may declare all or any portion of the note to be immediately due and payable. An "event of default" means:

- 1) any principal installment is not paid within thirty (30) days of the date which it is required to be made;
- 2) failure, inability, or unwillingness of the Intermediary to carry out or comply with, or cause to be carried out or complied with, the specific undertakings described in the Application Materials approved by Rural Development in the Letter of Conditions;
- 3) any representation or warranty made by the Intermediary in the Application Materials, Letter of Conditions, Rural Economic Development Loan Agreement, or in any certificate or report furnished by or on behalf of the Intermediary about any of the foregoing that proves to be false, incomplete, or incorrect in any material respect;
- 4) default in the observance or performance of any of the covenants, conditions, or agreements of the Intermediary or the Regulations that govern this loan that continues for thirty (30) days after written notice of the default has been given to the Intermediary by Rural Development;
- 5) an event of default under any mortgage of the Intermediary which secures this loan;
- 6) commencement of a case in bankruptcy by or against the Intermediary;
- 7) application for appointment of a receiver for, making a general assignment for the benefit of creditors by, or insolvency of the Intermediary; or

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

SOUTH Ky. RECC
Intermediary
by: Dennis Holt
Intermediary President
Title PRESIDENT + CEO

(SEAL)

Attest by:

Jammy Cash
Secretary

LOAN AGREEMENT

THIS AGREEMENT, made and entered into this 5th day of December, 2018, by and between SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE COMPANY, a Kentucky Corporation, with its principal office located at 200 Electric Avenue, P.O. Box 910, Somerset, Kentucky 42502 ("SKRECC"), and RUSSELL COUNTY, KENTUCKY, HOSPITAL DISTRICT HEALTH FACILITIES CORPORATION, a Kentucky Corporation, with its principal office located at 153 Dowell Road, P.O. Box 1610, Russell Springs, Kentucky 42642 ("Hospital").

WHEREAS:

1. SKRECC filed an application and supporting material (collectively, the "Application Materials") with the United States of America (the "Government") for a Seven Hundred Fifty Thousand Dollars (\$750,000.00) interest free loan pursuant to Section 313 of the Rural Electrification Act of 1936, as amended (the "Act") and 7 CFR Part 1703, Subpart B-Rural Economic Development Loan and Grant Program (the "Regulations");
2. The application was filed for the purpose of obtaining proceeds to, in turn, be lent (the "Loan") to Hospital, to be used solely to promote rural economic development as more particularly described in the Application Materials (the "Project"); and
3. The parties hereto desire to set forth in writing their understanding and agreement concerning the terms and conditions of the loan to be made by SKRECC to Hospital with the aforementioned proceeds.

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained, SKRECC and Hospital agree as follows:

1. **LOAN TERMS:**

- a. SKRECC shall lend a total of Seven Hundred Fifty Thousand Dollars (\$750,000.00) to Hospital to be used solely to promote rural economic development as more particularly described in the Application Materials, as those materials may have been modified

by the Letter of Conditions dated September 13, 2018, between SKRECC and the Government.

- b. Hospital shall repay the Loan in accordance with the promissory note (the "Note") to be executed by Hospital and made payable to SKRECC. Hospital shall begin to repay the Loan on the date set forth in the Note and shall continue paying without interruption until all indebtedness associated with the Loan has been repaid in full on or before the final maturity date of the Note.
- c. The Loan will not bear interest although indebtedness not paid when due will be subjected to late charges, and other costs as provided in CFR Part 1703, and in the Note.

2. SECURITY:

- a. Payment of the Loan shall be secured by an Irrevocable Letter of Credit issued by a banking company, either state or national, the terms of which Irrevocable Letter of Credit shall meet the approval of SKRECC and the Government. SKRECC shall not be obligated to fund the Loan until Hospital surrenders control of the original Irrevocable Letter of Credit referenced herein to SKRECC which is in an amount sufficient to fully collateralize the Loan.

3. AFFIRMATIVE COVENANTS:

- a. Hospital shall execute and deliver the Note to SKRECC in the form attached hereto as Exhibit "A" in order to evidence its obligation to repay the Loan by the terms of this Agreement and the Note. Hospital shall pay all indebtedness evidenced by the Note in the manner and at the times described therein.
- b. Hospital shall promptly use the proceeds of the Loan only in the manner and exclusively for the purposes set forth in the Application Materials as previously approved by the Government and in accordance with this Agreement, and the Regulations (as they may be amended from time to time). No changes may be made in the

foregoing without the prior written approval of SKRECC and the Government.

- c. Hospital shall make all payments pursuant to the Note by wire transfer to a special account at the bank specified by SKRECC or, if notified by SKRECC in writing to do so, any other reasonable method of payment specified by SKRECC.
- d. Hospital shall (1) provide an itemized list with attached invoices, receipts, bills of sale, and other evidence to SKRECC that shows the expenditures made on the Project for the approved purposes using the proceeds of the Loan and include a signed certification from an authorized official of Hospital on this list to the effect "I certify that the proceeds of the rural economic development loan from South Kentucky Rural Electric Cooperation Corporation were expended on the approved purposes as shown on this list and the attached invoices, receipts, bills of sale, and other evidence represent the items shown on this list" and (2) attach the invoices, receipts, bills of sale, and other evidence representing the items shown on the list to the certification. The invoices, receipts, bills of sale, and other evidence must at least total the amount of funds that have been provided to Hospital using the proceeds of the Loan; the certified list must be provided upon completion of the Project or by the first anniversary of the date of the advance of funds to Hospital, whichever occurs first; if all funds have not been expended by the first anniversary, Hospital must provide to SKRECC a certified list of current expenditures and a statement of its intended expenditure schedule; and, upon completion of the Project, Hospital must provide to SKRECC a final certified list of the expenditures including the attachments.
- e. Upon completion of the Project, Hospital shall provide to SKRECC and the Government a management representation letter certifying to the statements in Exhibit B of the Letter of Conditions.

- f. Hospital shall expend loan funds by the second anniversary of the date of the advance of funds, or by such later date as SKRECC and the Government may approve in writing in furtherance of the purposes of the Rural Electrification Act of 1936 as amended. Hospital shall return to SKRECC all loan funds that have not been expended by the second anniversary of the date of the advance of funds to Hospital, or by such later date as SKRECC and the Government have approved.
- g. Hospital shall permit SKRECC and Government officials to inspect and copy its records about the Project during regular business hours.
- h. SKRECC may monitor performance of Hospital with respect to the Project to ensure that the objectives as proposed in the Application Materials are being achieved. Beginning one year from the date of the advance of Loan Proceeds to Hospital and concluding three (3) years from the date of advance or upon completion of the Project as proposed in the Application Materials, whichever date occurs later, Hospital shall submit a project performance report to SKRECC on an annual basis. The project performance report shall describe (1) the actual accomplishments of the Project, setting forth the number and types of jobs created and retained; (2) the impact of the Project on the economy and quality of life of the rural community; (3) reasons why any projections or objectives as proposed in the Application Materials were not met, and (4) any problems, delays, or adverse conditions which have occurred, or are anticipated, which may affect the attainment of overall objectives of the Project. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the delays, problems or adverse conditions. Upon completion of the Project or three (3) years from the date of advance of Loan Proceeds, whichever occurs later, Hospital shall provide a final written performance report,

accompanied by color photographs, including negatives or slides, documenting the overall accomplishments of the Project.

- i. Hospital shall immediately notify SKRECC in writing of any occurrence which results in the discontinuance of payment by Hospital on its Note to SKRECC, the closure of operations of Hospital, the transfer of operations by Hospital from the original Project site described in the Application Materials, or the institution of bankruptcy proceedings involving Hospital.
- j. Hospital shall comply with the Regulations, as they may be amended from time to time, including without limitation, any federal regulations or federal statutes which the Regulations identify as being applicable to activities contemplated by the Application Materials or this Agreement.
- k. Hospital shall comply with 7 CFR Part 3017, Subpart C as a condition of participating in this transaction. Hospital will notify SKRECC if it or its principals are presently excluded or disqualified pursuant to such regulation. Hospital shall also communicate the requirement to comply with 7 CFR Part 3017, Subpart C to each person with whom Hospital enters into a covered transaction.
- l. In addition to monthly Loan repayments, annually Hospital shall pay SKRECC a service fee not to exceed one percent (1%) of the then outstanding principal of the Loan. The first annual service fee shall be due and payable on the date of the initial closing of the Loan; thereafter, the annual payments of service fees shall not be deferred in any respect and shall be due and payable on Dec. 1 of each year during the term of this loan. All payments of the annual service fee shall be made in accordance with the amortization schedule attached to, and made a part of, the Note.

4. REPRESENTATIONS AND WARRANTIES:

Hospital represents and warrants that on and as of the date of this Agreement:

- a. Hospital has been duly organized and is a validly existing Kentucky Corporation and that it is in good standing under the laws of the State of Kentucky with the power and authority to perform its obligations under this Agreement, the Note and the Regulations.
- b. This Agreement and the Note have been duly authorized, executed and delivered by Hospital and such documents constitute the legal and binding agreements of Hospital enforceable against Hospital in accordance with their respective terms, subject to (i) applicable bankruptcy, reorganization, insolvency, moratorium and other laws of general application relating to or affecting creditors' rights generally; and, (ii) the application of general principles of equity regardless of whether such enforceability is considered in a proceeding in equity or at law.
- c. The execution or delivery by Hospital of this Agreement and the Note; the consummation of transactions contemplated herein or therein; and the fulfillment by Hospital of the terms hereof or thereof, do not conflict with or violate, result in a breach of or constitute a default under any term or provision of the articles of incorporation or by-laws of Hospital or any law or regulation or any order now applicable to Hospital of any court or regulatory body having jurisdiction over Hospital or the terms of any indenture, deed of trust, mortgage, note, note agreement or instrument to which Hospital or any of its properties is bound. Hospital has not received any notice from any other party to any of the foregoing that default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.
- d. There is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator concerning Hospital, this Agreement or the Note which,

if adversely determined, would have a material adverse effect upon Hospital's ability to perform its obligations under this Agreement or the Note.

- e. All information, reports and other papers and data furnished to SKRECC by Hospital concerning the application of Hospital for the Loan were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give SKRECC a true and accurate knowledge of the subject matter and no document furnished or other written statement made to SKRECC in connection with the Loan contains any untrue statement of a fact material to the financial condition of Hospital, or the Project or omits to state such material fact necessary in order to make the statement contained therein not misleading.
- f. Hospital has reviewed the Regulations and understands and accepts the requirements which the Regulations impose upon it.
- g. Hospital does not expect or intend the Project to result primarily in the transfer of any existing employment or business activity from one area to another.

5. DEFAULT:

- a. Upon the occurrence of an event of default as defined in this Agreement, the holder of the Note may declare all or any portion of the indebtedness arising under the Agreement, including indebtedness evidenced by the Note, to be immediately due and payable and may proceed to enforce its rights under this Agreement and the Note.
- b. As used in this Agreement the term "event of default" shall mean the occurrence of any of the following:
 - 1. Any principal installment due from Hospital is not paid within thirty (30) days of the date in which it is required to be made, whether by acceleration or not;

2. Failure, inability or unwillingness of Hospital to carry out or comply with, or cause to be carried out or complied with the specific undertakings described in the Application Materials as approved by SKRECC and the Government in the Letter of Conditions;
3. Any representation or warranty made by Hospital herein, in the Application Materials, or in any certificate or report furnished by or on behalf of Hospital about any of the foregoing shall prove to be false, incomplete or incorrect in any material respect;
4. Default shall be made in the due observance or performance of any the covenants, conditions or agreements of Hospital and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to Hospital by the holder of the Note;
5. Commencement of a case in bankruptcy by or against Hospital, application for appointment of a receiver for, making a general assignment for the benefit of creditors by, or insolvency of Hospital; or
6. Violation of the Regulations in any material respect, by officers, directors, employees or agents of Hospital and such violation shall continue for a period of thirty (30) days without being rectified to the satisfaction of SKRECC after written notice specifying such default and requiring the same to be rectified has been given by SKRECC to Hospital.

6. MISCELLANEOUS:

- a. Every right or remedy herein conferred upon or reserved to the holder of the Notice shall be cumulative and shall be in addition to every other right and remedy now or hereinafter existing at law or equity, or by statute or regulation.