

**PART II-OAG DR-1
RESPONSES 34-77**

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 34: Refer to the Wolfram Testimony, Exhibit JW-2, Reference Schedule 1.07.

- a. Provide a detailed breakdown of the donations, promotional advertising, and dues.
- b. Confirm that even if some of the aforementioned expenses in (a) are being excluded for ratemaking purposes, it does not change the fact that the expenses are still being paid with ratepayer funds.¹

Response 34a: Please see the response to Commission Staff's First Request, Item 44, as updated in Response 10, above.

Response 34b: Confirmed.

¹See Case No. 2016-00077, Licking Valley RECC's Response to the Attorney General's Second Request for Information, Item 5.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 35: Refer to the Application generally. Identify fully any and all organizations to which Big Sandy RECC pays dues and/or membership fees of any type or sort (hereinafter referred to as “Dues Requiring Organizations”), which engage in any one or more of the following activities (hereinafter “covered activities”):

- a. legislative advocacy, regulatory advocacy, and/or public relations;
 - b. advertising;
 - c. marketing;
 - d. legislative policy research; and/or,
 - e. regulatory policy research.
- a. If so confirmed with regard to any one or more of these organizations, identify that organization and provide the amount of Big Sandy RECC dues which that organization applies to covered activities, both in dollar terms and percentages of total dues.
- b. Explain whether all or any portion of said dues are excluded from the pending rate case.

Response 35a: Big Sandy RECC pays dues to the National Rural Electric Cooperative Association (NRECA) and Kentucky Electric Cooperatives (KEC).

Response 35b: These are all removed from the revenue requirement in this case.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 36: Refer to the Application generally. Explain whether Big Sandy RECC pays any dues or membership fees to law firms or trade groups which maintain an affiliate engaged in any of the covered activities identified in the preceding question.

- a. If so, identify fully the law firm or trade group by name, the name of the affiliate engaged in any such activities, and the amounts Big Sandy RECC paid to the law firm, trade group, or affiliate thereof for those activities.
- b. Explain whether Big Sandy RECC is seeking recovery from ratepayers for any such sums identified in subpart (a) of this question.

Response 36a: Big Sandy does not pay any dues or membership fees to law firms or trade groups.

Response 36b: Not Applicable.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 37: Refer to the Application generally. If any affiliate of Big Sandy RECC pays dues to one or more Dues Requiring Organizations, and a jurisdictional portion of those dues are charged back to Big Sandy RECC, explain whether the dues are being recovered in rates, the amounts thereof, and precisely where they can be found in the Application.

Response 37: Big Sandy RECC does not have an affiliate that pays dues to an organization.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 38: Refer to the Application generally. For all expenses associated in any manner with any Dues Requiring Organization and for which the Company seeks reimbursement from ratepayers:

- a. Provide a complete copy of all invoices received from each such Dues Requiring Organization since the conclusion of the Company's last rate case;
- b. Provide any and all documents in the Company's possession that depict how each such Dues Requiring Organization spends the dues it collects from the Company, including the percentage that applies to all covered activities.
- c. Provide a detailed description of the services and benefits each Dues Requiring Organization provided to the Company since the conclusion of its most recent rate case. Of these services and benefits, identify which ones accrue directly to ratepayers, and explain fully how.
- d. Explain whether any Company personnel actively participate on committees and/or perform any other work for any Dues Requiring Organizations or any other industry organization to which the Company belongs. If so:
 - i. State specifically which employees participate, how they are compensated for their time (amount and source of compensation), and the purpose and accomplishments of any such association related work; and,

- ii. List any and all reimbursements received from industry associations, for work performed for such organizations by the Company's employees.

Response 38a: See attachment OAG-DR 1 Response 38a.

Response 38b: Big Sandy does not have in its possession any documents that depict how the two organizations spend collected dues.

Response 38c: NRECA's purpose is to amplify the voice of cooperatives and their consumer members, to improve the safety, reliability, and affordability of electricity and telecommunications, to provide education and training to our employees, to promote and protect the cooperative business model, to facilitate and help with legal, tax, and environmental compliances, to collectively strengthen us and our communities through workforce and economic development.

KEC is a statewide association which provides cooperatives with many essential support functions including training for all aspects of the electric cooperative program such as safety, communications, finance and accounting, management, and engineering. During disasters, Kentucky Electric Cooperatives also coordinates mutual aid resources and disaster communications with the state emergency management professionals. The association also provides regulatory support on a wide range of topics with agencies across the Commonwealth including transportation, energy and environment, and the Kentucky Public Service Commission. The association in addition provides materials through the United Utility Supply distribution cooperative that is a supplier of materials to utilities in the eastern half of the United States.

Response 38d: Kentucky Electric Cooperatives is governed by a board consisting of one manager and one director from each of its 26 member systems.

i. Big Sandy RECC General Manager, Jeff Prater and Big Sandy RECC director, Greg Davis serve on the Kentucky Electric Cooperatives Board, Mr. Davis is paid \$450 per diem to attend meetings in person and \$250 per diem to attend virtually, these meetings are held every other month. Mr. Prater is not compensated.

ii. Big Sandy RECC nor its employees receive reimbursements from organizations.

ATTACHMENT OAG DR-1-38a

NRECA

® America's Electric Cooperatives

Invoice

Mr. Bobby D Sexton
Big Sandy RECC
504 11th St
Paintsville, KY 41240-1422

Date: 9/1/2017
Invoice #: 1933563
Vendor Account #: 385

NRECA MEMBERSHIP DUES

For Member Year **10/02/2017**
Beginning:

NRECA Distribution Member

2017 Membership Dues (Base Amount)

PURCHASE ORDER _____

PAYMENT AUTHORIZATION _____

G/O CHECK NO: _____ \$11,942.00

Plus Allocation of Additional Dues - 2015 Statistical Data Used for Calculations

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.5382	\$5,382.00
Next 3,053 Consumers	X	0.2691	\$822.00
			Sub Total
			\$6,204.00

Total Consumers: 13,053

Total Membership Dues Payable \$18,146.00

Amount Designated to CRN Fund Billed to your G&T

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.21218	\$2,122.00
Next 3,053 Consumers	X	0.10609	\$324.00
			Total
			\$2,446.00

NRECA has estimated that 13% of the 2017 dues is allocated to lobbying expenses to which IRC Section 162(2)(3) and 6033(e)(1) as amended apply. Consequently, this portion of your 2017 system dues is not deductible for federal income tax purposes.

By paying this invoice, the organization represents that its ownership, purpose, structure, operations, and activities have not changed significantly, and that it remains eligible for the category of NRECA membership to which it is assigned. If you have questions about membership eligibility, please contact Accounts Receivable at 703 907 6875, or email accountsreceivable@nreca.coop.

PLEASE RETURN A COPY OF INVOICE WITH
REMITTANCE

Direct payments to: NRECA
PO Box 758777, Baltimore, MD 21275-8777

Invoice must be paid by Member Year
Beginning date highlighted in red. Please
make check payable to NRECA.

\$18,146.00

Contributions or gifts to NRECA are NOT deductible as charitable contributions for federal income tax purposes. However, payments ARE deductible by members as an ordinary and necessary business expense. NRECA Taxpayer Identification Number: 53-0116145.

5006

145.50 - 18,146.00

dues 01

NRECA Dues 2017

10/1/17 - 10/1/17

4301 Wilson Blvd. - Arlington, VA 22203-1860 - tel: 703.907.6875

13,053 members



Invoice

Mr. Bruce Aaron Davis
Big Sandy RECC
504 11th St
Paintsville, KY 41240-1422

Date: 8/15/2019
Invoice #: 2421447
Account #: 385

NRECA MEMBERSHIP DUES

For Member Year **10/02/2019**
Beginning:

NRECA Distribution Member

2019 Membership Dues (Base Amount) \$11,942.00

Plus Allocation of Additional Dues - 2017 Statistical Data Used for Calculations

Number of Consumers	Per Consumer	
First 10,000 Consumers	X 0.5748	\$5,748.00
Next 2,939 Consumers	X 0.2874	\$845.00
Sub Total		\$6,593.00

Total Consumers: 12,939

Total Membership Dues Payable \$18,535.00

Amount Designated to CRN Fund Billed to your G&T

Number of Consumers	Per Consumer
First 10,000 Consumers	X 0.21640
Next 2,939 Consumers	X 0.10820

Total \$2,482.00

PURCHASE ORDER
\$2,164.00
PAYMENT \$318.00
G/O CHECK NO.

Handwritten: DUES 01 - 145.50 - 18,535.00 (12,939) 5006 10/02/19 - 10/02/19 CMS

NRECA has estimated that 10% of the 2019 dues is allocated to lobbying expenses to which IRC Section 162(2)(3) and 6033(e)(1) as amended apply. Consequently, this portion of your 2019 system dues is not deductible for federal income tax purposes.

By paying this invoice, the organization represents that its ownership, purpose, structure, operations, and activities have not changed significantly, and that it remains eligible for the category of NRECA membership to which it is assigned. If you have questions about membership eligibility, please contact Accounts Receivable at 703 907 6875, or email accountsreceivable@nreca.coop.

PLEASE RETURN A COPY OF INVOICE WITH REMITTANCE

Direct payments to: NRECA
PO Box 758777, Baltimore, MD 21275-8777

Invoice must be paid by Member Year
Beginning date highlighted in red. Please
make check payable to NRECA.

\$18,535.00

Contributions or gifts to NRECA are NOT deductible as charitable contributions for federal income tax purposes. However, payments ARE deductible by members as an ordinary and necessary business expense. NRECA Taxpayer Identification Number: 53-0116145.



Invoice

Mr. Bruce Aaron Davis
Big Sandy RECC
504 11th St
Paintsville, KY 41240-1422

Date: 8/17/2020
Invoice #: 2692957
Account #: 385

NRECA MEMBERSHIP DUES

For Member Year Beginning: **10/02/2020**

NRECA Distribution Member

2020 Membership Dues (Base Amount) \$11,942.00

Plus Allocation of Additional Dues - 2018 Statistical Data Used for Calculations

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.6076	\$6,076.00
Next 2,866 Consumers	X	0.3038	\$871.00
			Sub Total
			\$6,947.00

Total Consumers: 12,866

Total Membership Dues Payable \$18,889.00

Amount Designated to CRN Fund Billed to your G&T

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.22073	\$2,207.00
Next 2,866 Consumers	X	0.11037	\$316.00
			Total
			\$2,523.00

NRECA has estimated that 10% of the 2020 dues is allocated to lobbying expenses to which IRC Section 162(2)(3) and 6033(e)(1) as amended apply. Consequently, this portion of your 2020 annual dues is not deductible for federal income tax purposes.

By paying this invoice, the organization represents that its ownership, purpose, structure, operations, and activities have not changed significantly, and that it remains eligible for the category of NRECA membership to which it is assigned. If you have questions about membership eligibility, please contact Accounts Receivable at 703 907 6875, or email accountsreceivable@nreca.coop.

PLEASE RETURN A COPY OF INVOICE WITH REMITTANCE
Direct payments to: NRECA
PO Box 758777, Baltimore, MD 21275-8777

Invoice must be paid by **Member Year Beginning** date highlighted in red. Please make check payable to NRECA.

\$18,889.00

Contributions or gifts to NRECA are NOT deductible as charitable contributions for federal income tax purposes. However, payments ARE deductible by members as an ordinary and necessary business expense. NRECA Taxpayer Identification Number: 53-0116145.

DUES 01 165.50 \$18889.00
5006
8/17/20 ~ 9/10/20

NRECA

America's Electric Cooperatives

Invoice

Mr. Bruce Aaron Davis
Big Sandy RECC
504 11th St
Paintsville, KY 41240-1422

Date: 8/16/2021
Invoice #: 2827266
Account #: 385

NRECA MEMBERSHIP DUES

For Member Year Beginning:

NRECA Distribution Member

2021 Membership Dues (Base Amount) \$11,942.00

Plus Allocation of Additional Dues - 2019 Statistical Data Used for Calculations

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.6076	\$6,076.00
Next 2,759 Consumers	X	0.3038	\$838.00
Sub Total			\$6,914.00

Total Consumers: 12,759

Payments/Credits	\$0.00
Total Membership Dues Payable	\$18,856.00

Amount Designated to CRN Fund Billed to your G&T

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.22073	\$2,207.00
Next 2,759 Consumers	X	0.11037	\$305.00
Total			\$2,512.00

Dues 01 165.50

NRECA has estimated that 10% of the 2021 dues is allocated to lobbying expenses to which IRC Section 162(2)(3) and 6033(e)(1) as amended apply. Consequently, this portion of your 2021 annual dues is not deductible for federal income tax purposes.

By paying this invoice, the organization represents that its ownership, purpose, structure, operations, and activities have not changed significantly, and that it remains eligible for the category of NRECA membership to which it is assigned. If you have questions about membership eligibility, please contact Accounts Receivable at 703 907 6875, or email accountsreceivable@nreca.coop.

PLEASE RETURN A COPY OF INVOICE WITH REMITTANCE

Direct payments to: NRECA
PO Box 758777, Baltimore, MD 21275-8777

Invoice must be paid by **Member Year Beginning** date highlighted in red. Please make check payable to NRECA.

\$18,856.00

Contributions or gifts to NRECA are NOT deductible as charitable contributions for federal income tax purposes. However, payments ARE deductible by members as an ordinary and necessary business expense. NRECA Taxpayer Identification Number: 53-0116145.

PAYMENT AUTHORIZATION

G/O CHECK NO:

5004 8/16/21 ~ 9/15/21

NRECA

® America's Electric Cooperatives

Invoice

Mr. Bruce Aaron Davis
Big Sandy RECC
504 11th St
Paintsville, KY 41240-1422

Date: 8/15/2022
Invoice #: 2886055
Account #: 385

NRECA MEMBERSHIP DUES

For Member Year Beginning: 10/02/2022

NRECA Distribution Member

2022 Membership Dues (Base Amount) \$11,942.00

Plus Allocation of Additional Dues - 2020 Statistical Data Used for Calculations

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.6571	\$6,571.00
Next 2,789 Consumers	X	0.3286	\$916.00
Sub Total			\$7,487.00

Total Consumers: 12,789

Payments/Credits \$0.00
Total Membership Dues Payable \$19,429.00

Amount Designated to CRN Fund Billed to your G&T

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.22735	\$2,274.00
Next 2,789 Consumers	X	0.11368	\$317.00
Total			\$2,591.00

NRECA has estimated that 10% of the 2022 dues is allocated to lobbying expenses to which IRC Section 162(2)(3) and 6033(e)(1) as amended apply. Consequently, this portion of your 2022 annual dues is not deductible for federal income tax purposes.

By paying this invoice, the organization represents that its ownership, purpose, structure, operations, and activities have not changed significantly, and that it remains eligible for the category of NRECA membership to which it is assigned. If you have questions about membership eligibility, please contact Accounts Receivable at 703 907 6875, or email accountsreceivable@nreca.coop.

PLEASE RETURN A COPY OF INVOICE WITH
REMITTANCE
Direct payments to: NRECA
P.O. Box 718777, Philadelphia, PA 19171-8777

Invoice must be paid by Member Year
Beginning date highlighted in red. Please
make check payable to NRECA.

\$19,429.00

Contributions or gifts to NRECA are NOT deductible as charitable contributions for federal income tax purposes. However, payments ARE deductible by members as an ordinary and necessary business expense. NRECA Taxpayer Identification Number: 53-0116145.

PAYMENT AUTHORIZATION

G/O CHECK NO:

4301 Wilson Blvd. - Arlington, VA 22203-1860 - tel: 703.907.6875

DUES 01 2022 1836
165.50 = 19,429.00 / 12,789 Consumer Dues

Invoice

Mr. Bruce Aaron Davis
Big Sandy RECC
504 11th St
Paintsville, KY 41240-1422

Date: 8/15/2023
Invoice #: 2978837
Account #: 385

NRECA MEMBERSHIP DUES

For Member Year Beginning: 10/02/2023

NRECA Distribution Member

2023 Membership Dues (Base Amount) \$11,942.00

Plus Allocation of Additional Dues - 2021 Statistical Data Used for Calculations

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.8090	\$8,090.00
Next 2,837 Consumers	X	0.4045	\$1,148.00
			Subtotal
			\$9,238.00

Total Consumers: 12,837

Payments/Credits \$0.00
Total Membership Dues Payable \$21,180.00

Amount Designated to CRN Fund Billed to your G&T

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.24781	\$2,478.00
Next 2,837 Consumers	X	0.12391	\$352.00
			Total
			\$2,830.00

12,837

PURCHASE ORDER

Invoice must be paid by the **Member Year Beginning** date shown above.

PAYMENT AUTHORIZATION

By paying this invoice, the organization represents that its ownership, purpose, structure, operations, and activities have not changed significantly, and that it remains eligible for the category of NRECA membership to which it is assigned. If you have questions about membership eligibility, please contact the Membership Department at 703.907.5868, or email membership@nreca.coop.

Please return a copy of this invoice with remittance and make check payable to:
NRECA, P.O. Box 718777, Philadelphia, PA 19171-8777

Total Due
\$21,180.00

NRECA has estimated that 10% of the 2023 NRECA membership dues to which IRC Section 162(2)(3) and 6033(e)(1) as amended apply. Consequently, this portion of your 2023 annual dues is not deductible for federal income tax purposes.

Contributions or gifts to NRECA are not deductible as charitable contributions for federal income tax purposes. However, payments are deductible by members as an ordinary and necessary business expense. NRECA Taxpayer Identification Number: 53-0116145

1136 165.50 - 21,180.00 (NRECA DUES 2023 12,837 MEMBERS)
5000 09/01/23 - 09/26/23

Invoice

Mr. Jeffrey Prater
Big Sandy RECC
504 11th St
Paintsville, KY 41240-1422

Date: 8/15/2024
Invoice #: 3053965
Account #: 385

NRECA MEMBERSHIP DUES

For Member Year Beginning: 10/02/2024

NRECA Distribution Member

2024 Membership Dues (Base Amount) \$11,942.00

Plus Allocation of Additional Dues - 2022 Statistical Data Used for Calculations

Number of Consumers	Per Consumer	
First 10,000 Consumers		\$8,914.00
Next 2,763 Consumers		\$1,231.00
		Subtotal
		\$10,145.00

Total Consumers: 12,763

1134 145.50 \$22087.00 2024 Consumer Dues
5004 8/15/24 ~ 8/20/24
Payments/Credits \$0.00
Total Membership Dues Payable \$22,087.00

Amount Designated to CRN Fund Billed to your G&T

Number of Consumers		Per Consumer	
First 10,000 Consumers	X	0.25896	\$2,590.00
Next 2,763 Consumers	X	0.12948	\$358.00
Total			\$2,948.00

Invoice must be paid by the **Member Year Beginning** date shown above.

By paying this invoice, the organization represents that its ownership, purpose, structure, operations, and activities have not changed significantly, and that it remains eligible for the category of NRECA membership to which it is assigned. If you have questions about membership eligibility, please contact the Membership Department at 703.907.5868, or email membership@nreca.coop.

Please return a copy of this invoice with remittance and make check payable to:
NRECA, P.O. Box 718777, Philadelphia, PA 19171-8777

Total Due
\$22,087.00

NRECA has estimated that 10% of the 2024 NRECA membership dues to which IRC Section 162(2)(3) and 6033(e)(1) as amended apply. Consequently, this portion of your 2024 annual dues is not deductible for federal income tax purposes.

Contributions or gifts to NRECA are not deductible as charitable contributions for federal income tax purposes. However, payments are deductible by members as an ordinary and necessary business expense. NRECA Taxpayer Identification Number: 53-0116145

KENTUCKY ASSN OF ELEC COOPS
P.O. BOX 32170
LOUISVILLE, KY 40232
Phone: (800)-357-5232
Phone: (800)-357-5232

INVOICE

PAGE	1
INVOICE NO.	11579597
INVOICE DATE	1/19/17

SOLD TO
100006
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

SHIP TO
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
USA

CUSTOMER PURCHASE ORDER NO.		SHIP VIA		TERMS		DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER
JAN 2017		Regular Mail		Net 30 Days		1/19/17	50		7073334-000
SPECIAL INSTRUCTIONS >									
QTY. ORDERED	QTY. SHIPPED	QTY. BACK ORDERED	U/M	ITEM NO. / DESCRIPTION			PRICE	AMOUNT	
13053.00	13053.00	.00	EA	2711 M 2017 MEMBERSHIP DUES			2.4773	32336.20	
				Dues 02 - 165.5 (2017 MShip Dues					
				2005 01/19/17 -					
SUB - TOTAL		SHIPPING & HANDLING		TAX	SUB-TOTAL		DEPOSIT	BALANCE DUE	
32336.20		.00		.00	32336.20		.00	32336.20	

Phone: (800)-357-5232

PAGE	1
INVOICE NO.	11598440
INVOICE DATE	2/06/18

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BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

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BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
USA

CUSTOMER PURCHASE ORDER NO.	SHIP VIA	TERMS	DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER
2018 DUES	Regular Mail	Net 30 Days	2/06/18	50		7078346-000
SPECIAL INSTRUCTIONS >						
QTY. ORDERED	QTY. SHIPPED	QTY. BACK ORDERED	U/M	ITEM NO. / DESCRIPTION	PRICE	AMOUNT
1.00	1.00	.00	EA	2711 2018 MEMBERSHIP DUES <i>DUES 02 165.50</i>	32172.7000	32172.70
				PURCHASE ORDER _____ PAYMENT AUTHORIZATION _____ Q/O CHECK NO: _____		
				<i>2005</i> <i>2/6/18 ~ 2/14/18</i>		
SUB - TOTAL	SHIPPING & HANDLING	TAX	SUB-TOTAL	DEPOSIT	BALANCE DUE	
32172.70	.00	.00	32172.70	.00	32172.70	

KENTUCKY ASSN OF ELEC COOPS
P.O. BOX 32170
LOUISVILLE, KY 40232

Phone: (800)-357-5232

INVOICE

PAGE	1
INVOICE NO.	11615550
INVOICE DATE	2/01/19

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504 11TH STREET
PAINTSVILLE, KY 41240-1422

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504 11TH STREET
PAINTSVILLE, KY 41240-1422
USA

CUSTOMER PURCHASE ORDER NO.	SHIP VIA	TERMS	DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER
2019 ANNUAL DUES	Regular Mail	Net 30 Days	2/01/19	50		7082844-000
SPECIAL INSTRUCTIONS >						
QTY. ORDERED	QTY. SHIPPED	QTY. BACK ORDERED	U/M	ITEM NO. / DESCRIPTION	PRICE	AMOUNT
1.00	1.00	.00	EA	2711 M 2019 MEMBERSHIP DUES 12,939 MEMBERS DUES 02 165.50 Please email kstrader@kaec.org with an email address to send invoices electronically. Thank You! 2/1/19 ~ 3/1/19	32053.7800	32053.78
PURCHASE ORDER PAYMENT AUTHORIZATION G/O CHECK NO:						
2005						
G & HANDLING		TAX	SUB-TOTAL		DEPOSIT	BALANCE DUE
.00		.00	32053.78		.00	32053.78

Kentucky Electric Cooperatives
P.O. BOX 32170
LOUISVILLE, KY 40232
(800)-357-5232

INVOICE

PAGE	1
INVOICE NO.	11633113
INVOICE DATE	2/06/20

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BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

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BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

CUSTOMER PURCHASE ORDER NO.	SHIP VIA	TERMS	DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER
2020 ANNUAL DUES	Regular Mail	Net 30 Days	2/06/20	50		10012717-000

SPECIAL INSTRUCTIONS >

QTY. ORDERED	QTY. SHIPPED	QTY. BACK ORDERED	U/M	ITEM NO./ DESCRIPTION	PRICE	AMOUNT
12866.00	12866.00	.00	EA	2711 2020 MEMBERSHIP DUES	2.4773	31872.94
<p>PURCHASE ORDER _____</p> <p>PAYMENT AUTHORIZATION _____</p> <p>G/O CHECK NO: _____</p>						
<p>DUES 02 165.50 2020 KAEC MSHP DUES PD (31872.94)</p>						
SUB - TOTAL	SHIPPING & HANDLING	TAX	SUB-TOTAL	DEPOSIT		BALANCE DUE
31872.94	.00	.00	31872.94	.00		31872.94

2005

2/16/20 ~ 3/5/20

Kentucky Electric Cooperatives
P.O. BOX 32170
LOUISVILLE, KY 40232
(800)-357-5232

INVOICE

PAGE	1
INVOICE NO.	1165105
INVOICE DATE	2/11/21

SOLD TO 100006
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

SHIP TO BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

CUSTOMER PURCHASE ORDER NO.	SHIP VIA	TERMS	DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER
2021 ANNUAL DUES	Regular Mail	Net 30 Days	2/11/21	50		10029283-000
SPECIAL INSTRUCTIONS >						
QTY ORDERED	QTY SHIPPED	QTY BACK ORDERED	U/M	ITEM NO/ DESCRIPTION	PRICE	AMOUNT
12759.00	12759.00	.00	EA	2711 2021 MEMBERSHIP DUES	2.4773	31607.87
DUES 02 165.50 2021 KAEC MSHIP DUES PO						
PURCHASE ORDER _____						
PAYMENT AUTHORIZATION _____						
G/O CHECK NO: _____						
SUB-TOTAL	SHIPPING & HANDLING	TAX	SUB-TOTAL	DEPOSIT	BALANCE DUE	
31607.87	.00	.00	31607.87	.00	31607.87	

2005 2/11/21 ~ 3/5/21

Kentucky Electric Cooperatives
P.O. BOX 32170
LOUISVILLE, KY 40232
(800)-357-5232

INVOICE

PAGE	1
INVOICE NO.	11671418
INVOICE DATE	2/10/22

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100006
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

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BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

CUSTOMER PURCHASE ORDER NO.	SHIP VIA	TERMS	DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER
2022 ANNUAL DUES	Regular Mail	Net 30 Days	2/10/22	50		10046396-000
SPECIAL INSTRUCTIONS >						
QTY. ORDERED	QTY. SHIPPED	QTY. BACK ORDERED	U/M	ITEM NO./DESCRIPTION	PRICE	AMOUNT
12789.00	12789.00	.00	EA	2711 M 2022 MEMBERSHIP DUES DUES 02 165.50	2.4773	31682.19
PURCHASE ORDER _____ PAYMENT AUTHORIZATION _____ G/O CHECK NO: _____						
SHIPPING & HANDLING		TAX		SUB-TOTAL	DEPOSIT	BALANCE DUE
.00		.00		31682.19	.00	- 31682.19

2/22 ~ 2/22/22

Kentucky Electric Cooperatives
P.O. BOX 32170
LOUISVILLE, KY 40232
(800)-357-5232

INVOICE

PAGE	1
INVOICE NO.	11694174
INVOICE DATE	2/03/23

100006
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

CUSTOMER PURCHASE ORDER NO.	SHIP VIA	TERMS	DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER
2023 ANNUAL DUES	Regular Mail	Net 30 Days	2/03/23	50		10063387-000
SPECIAL INSTRUCTIONS >						
QTY. ORDERED	QTY. SHIPPED	QTY. BACK ORDERED	U/M	ITEM NO./ DESCRIPTION	PRICE	AMOUNT
12837.00	12837.00	.00	EA	2711 M	2.1500	27599.55
12837.00	12837.00	.00	EA	2023 MEMBERSHIP DUES 1137 165.50		
				2712 M	.3273	4201.55
				SAFETY & LOSS PREVENTION DUES 1137 165.50		
<div> <div>PURCHASE ORDER</div> <div>PAYMENT AUTHORIZATION</div> <div>G/O CHECK NO:</div> </div>						
2005	2/3/23~2/5/23					
SUB-TOTAL	SHIPPING & HANDLING	TAX	SUB-TOTAL	DEPOSIT	BALANCE DUE	
31801.10	.00	.00	31801.10	.00	31801.10	

Kentucky Electric Cooperatives
P.O. BOX 32170
LOUISVILLE, KY 40232
(800)-357-5232

INVOICE

PAGE	
INVOICE NO.	117
INVOICE DATE	2/14/24

SOLD TO
100006
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

SHIP TO
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE, KY 41240-1422
606-789-4095

CUSTOMER PURCHASE ORDER NO.		SHIP VIA		TERMS		DATE SHIPPED	SLMN 1	SLMN 2	ORDER NUMBER	
2024 DUES		Regular Mail		Net 30 Days		2/14/24	50		10080981-000	
SPECIAL INSTRUCTIONS >										
QTY. ORDERED	QTY. SHIPPED	QTY. BACK ORDERED	U/M	ITEM NO./ DESCRIPTION			PRICE	AMOUNT		
12763.00	12763.00	.00	EA	2711 2024 MEMBERSHIP DUES PURCHASE ORDER _____ PAYMENT AUTHORIZATION _____ G/O CHECK NO: _____ 1137 145.50 2005 2/14/24 ~ 2/20/24			2.4773	31617.78		
SUB - TOTAL		SHIPPING & HANDLING		TAX		SUB-TOTAL		DEPOSIT		BALANCE DUE
31617.78		.00		.00		31617.78		.00		31617.78

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 39: Refer to the Application generally. Provide a list of all open/vacant positions in the test year and adjusted test year including:

- a. Job title,
- b. Date the job was created,
- c. Length of time that the position has been open,
- d. Explanation as to why the position is still vacant,
- e. Planned hiring dates for each position,
- f. Hiring dates for any of these positions that have been filled, and
- g. Fully loaded annual salary for unfilled positions.

Response 39: Big Sandy had one vacant position (Journey/Lineman) that occurred in the test year.

One employee retired 09/30/23 and we hired a replacement 10/30/23.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 40: Refer to the Application generally. Provide a list of all new positions in the test year and adjusted test year including:

- a. Job title,
- b. Date the job was created,
- c. Length of time that the position has been open,
- d. Planned hiring dates for each position,
- e. Hiring dates for any of these positions that have been filled, and,
- f. Fully loaded annual salary for unfilled positions.

Response 40: No new positions were created in the test year.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 41: Refer to the Application generally. Explain whether any expenses associated with vacant positions being filled after the end of the test year have been included in the pending rate increase/requested revenue requirement.

Response 41: Big Sandy had no vacant positions to report.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 42: Refer to the Application generally. Provide a copy of and a description of the Company's merit and cost of living wage rate increase policies.

Response 42: An evaluation form is completed by each supervisor. This form rates employees based on eight categories: Job Knowledge, Work Quality, attendance/punctuality, Initiative, Co-worker relations, Teamwork, Dependability, and Technology. A numerical number is assigned to each category, and a cumulative score is assigned to each employee. If the employee scores above a predetermined value a pay raise is given, if the employee scores below that predetermined value, he/she will receive a reduced increase or possibly zero based on the score. All evaluations are reviewed by the President/General Manager.

See Attachment OAG DR1-42.

ATTACHMENT OAG DR-1-42-Evaluation

BIG SANDY RECC

Employee Performance Review



EMPLOYEE INFORMATION	
Name	Employee ID
Job Title	Date
Department	Manager
Review Period to	

RATINGS				
	-1 = Unsatisfactory	1 = Satisfactory	2 = Good	3 = Excellent
Job Knowledge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Work Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Attendance/Punctuality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Initiative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Co-worker Relations (promote peace, discourage gossip, harmonious environment)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Teamwork	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Dependability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

EMPLOYEE INFORMATION

Name	Employee ID
------	-------------

Job Title	Date
-----------	------

Department	Manager
------------	---------

Review Period	to
---------------	----

Comments

Overall Rating

Evaluation

COMMENTS/GOALS:**EMPLOYEE
COMMENTS:****RECOMMENDED
WAGE/SALARY
INCREASE:**

RECOMMENDED WAGE/SALARY INCREASE IS DETERMINED BY OVERALL PERFORMANCE RATING AND THE FOLLOWING SCALE:

OVERALL SCORE	INCREASE AMOUNT
19 – 24	Evaluated and as approved by GM
15 – 18	
11 – 14	
6 - 10	
0 – 5	0%

NOTE: TWO (2) RATINGS OF UNSATISFACTORY DURING REVIEW PERIOD WILL RESULT IN NOT BEING RECOMMENDED FOR A WAGE/SALARY INCREASE

Verification of Review

BY SIGNING THIS FORM, YOU CONFIRM THAT YOU HAVE DISCUSSED THIS REVIEW IN DETAIL WITH YOUR SUPERVISOR. SIGNING THIS FORM DOES NOT NECESSARILY INDICATE THAT YOU AGREE WITH THIS EVALUATION.

Supervisor Signature:

Date

EMPLOYEE INFORMATION	
Name	Employee ID
Job Title	Date
Department	Manager
Review Period	to
Employee Signature:	Date

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 43: Refer to the Application generally. Explain whether all non-operating margins income from all sources is included in Big Sandy RECC's requested revenue requirement in the pending case.

Response 43: Non-operating margins are included in the revenue requirements calculation provided in Exhibit JW-2. However, the target margins are determined based on a TIER of 2.00, and the TIER calculation is based on utility operating margins, not net margins.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 44: Refer to the Application generally.

- a. Provide the budgeted ROW maintenance expense for each of the years 2017 – 2024.
- b. Provide the actual ROW maintenance expense for each of the years 2017 – 2024.
- c. Provide the budgeted ROW miles trimmed for each of the years 2017 – 2024.
- d. Provide the actual ROW miles trimmed for each of the years 2017 – 2024.

Response 44a:

2017	\$784,499
2018	\$741,000
2019	\$900,000
2020	\$850,000
2021	\$850,000
2022	\$1,059,960
2023	\$1,049,960
2024	\$1,506,560

Response 44b:

2017	\$729,540.88
2018	\$643,763.00
2019	\$853,432.67

2020	\$800,547.75
2021	\$753,641.90
2022	\$912,529.56
2023	\$1,256,614.11
2024	\$1,019,781.65 Jan-September 2024

Response 44c:

Provide the budgeted ROW miles trimmed for each of the years 2017 – 2024. Big Sandy budgeted a dollar amount and utilized hourly work to cut as much as possible with the budget amount.

Response 44d:

2017	No data
2018	No data
2019	77
2020	63
2021	54.5
2022	59.8
2023	84.67
2024	59.41 Jan-September 2024

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 45: Refer to the Application generally. Provide the amount of Supplemental Executive Retirement Plan (“SERP”) that the Company has provided to employees for each of the years 2017 – 2024.

Response 45: Big Sandy RECC did not provide a SERP to any employee during the years of 2017-2024.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 46: Provide copies of all loan agreements Big Sandy RECC currently has in effect. These should include all loans made from the RUS, CoBank, and CFC.

Response 46: Please see attached loan agreements with RUS and CFC. Big Sandy does not currently have any outstanding loans with Co-Bank. Please see Attachments OAG DR-1-46a and 46b.

ATTACHMENT OAG DR-1-46

LOAN AGREEMENT

LOAN AGREEMENT (this "Agreement") dated as of July 28, 2017, between BIG SANDY 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 ascribed to it in Schedule 1 hereto.

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

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

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

"CoBank" shall mean CoBank, ACB, a federally chartered instrumentality of the United States.

"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 (a) 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 (b) the payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

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

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

"Distributions" shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the

Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

"Draw Period" shall 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 the Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

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

"Event of Default" shall have the meaning ascribed to it in Article VI hereof.

"FFB" shall mean the Federal Financing Bank, a government corporation under the general supervision of the Secretary of the Treasury.

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

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

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

"Interest Expense" shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. In computing Interest Expense, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

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

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

"Lien" shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

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

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

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

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

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

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

"Maturity Date" with respect to each Note shall have the meaning ascribed to it therein.

"Mortgage" shall have the meaning ascribed to it in Schedule 1 hereto.

"Mortgagee" shall mean each of CFC, RUS, and CoBank, 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 note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto, and shall include all substitute, amended or replacement promissory notes.

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

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

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

"Permitted Encumbrances" shall have the meaning ascribed to it in the Mortgage.

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

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

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

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

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

"Restricted Rentals" shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering

property having an initial cost in excess of \$250,000 other than automobiles, trucks, trailers, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

"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 Governmental Authority, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default 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 Authority charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and Governmental Authority charges and levies have become due, except for such taxes, assessments, and Governmental Authority charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

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

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

H. Financial Statements. The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial

condition of the Borrower as at said date and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

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

J. Required Approvals. No license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission 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) the Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) the Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of the Borrower in regard to any Environmental Law, and (v) to the best of the Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

ARTICLE III

LOAN

Section 3.01 Advances. CFC agrees to make one or more Advances for the purpose of refinancing certain of Borrower's existing indebtedness, as more fully described on Schedule 1 hereto, in an aggregate principal amount not to exceed the CFC Commitment. The total amount of outstanding indebtedness evidenced by the Note shall not be greater than 105% of the then outstanding principal balance of the note or notes under the Mortgage being refunded or refinanced. The Borrower shall not request, and CFC shall have no obligation to advance, an amount greater 105% of the then outstanding principal balance of the note or notes under the Mortgage being refunded or refinanced.

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 lender 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 twenty-one (21) 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 as follows: (i) first, to any fees, costs, expenses or charges due other than interest or principal, (ii) second, to interest accrued and unpaid, and (iii) third, the balance, if any, to the outstanding principal balance of the Obligations.

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

(i) CFC Fixed Rate. If the Borrower selects a CFC Fixed Rate for an Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by the Borrower. CFC shall provide the Borrower with at least sixty (60) days prior written or electronic notice of the Interest Rate Reset Date for such Advance. The Borrower may then select any available interest rate option for such Advance pursuant to CFC's policies of general application. The Advance shall bear interest according to the interest rate option so selected beginning on the Interest Rate Reset Date. If the Borrower does not select an interest rate in writing prior to the Interest Rate Reset Date, then beginning on the Interest Rate Reset Date the Advance shall bear interest at the CFC Variable Rate. CFC agrees that its long-term loan policies will include a fixed interest rate option until the Maturity Date. For any Advance, the Borrower may not select a CFC Fixed Rate with a CFC Fixed Rate Term that extends beyond the Maturity Date. Interest on 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 Administrative Fee and/or Make-Whole Premium as CFC may prescribe pursuant to the terms of this Section 3.04. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of and to the date of the repayment. All prepayments shall be applied (i) first to any fees, costs, expenses or charges due hereunder other than interest or principal, (ii) second, to the payment of accrued and unpaid interest, and (iii) third, the balance, if any, to the outstanding principal balance of the applicable Advance.

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

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

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

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

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

ARTICLE IV

CONDITIONS OF LENDING

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

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

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

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

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

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

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

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

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

F. 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.

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

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

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

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

C. Other Information. The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) 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 (ii) any other information as CFC may reasonably request.

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

ARTICLE V

COVENANTS

Section 5.01 Affirmative Covenants. The Borrower covenants and agrees with CFC that until payment in full of 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 of the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as

of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in any way pertaining to its property or business.

H. Notice of Additional Secured Debt. The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC.

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

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

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

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

M. Environmental Covenants. The Borrower shall:

- (i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and
- (ii) if it receives any written communication alleging the Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

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

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

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

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

B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds. Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant. 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. Make any Distribution except under the following conditions:

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

(ii) if (a) no Event of Default has occurred and is continuing and (b), after taking into account the effect of the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may make a Distribution in

an amount up to thirty percent (30%) of the Borrower's total margins for the preceding calendar year.

D. Limitations on Loans, Investments and Other Obligations.

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

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

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

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

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

ARTICLE VI

EVENTS OF DEFAULT

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

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

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

C. Other Covenants.

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

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

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

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

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

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

H. Insolvency. The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any

substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

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

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

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

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

ARTICLE VII

REMEDIES

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

- (i) Cease making Advances hereunder;
- (ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by CFC or owed to the Borrower or for the credit or account of the

Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to the Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to the Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

- (iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages; and
- (v) Pursue any other rights and remedies available to CFC at law or in equity.

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

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

ARTICLE VIII

MISCELLANEOUS

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

The Borrower:

CFC:

The address set forth in
Schedule 1 hereto

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 8.15 Binding Effect. This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and 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 Authorization. The Borrower hereby authorizes CFC to transmit all documents that are required under the Mortgage in order for the Note to be secured as an Additional Note thereunder to each Mortgagee.

Section 8.19 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.

BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION

(SEAL)

By:

Title:

Sanny Wallen
Chairman

Attest:

Kelly Shepherd
Secretary

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By:

J. Mink
Assistant Secretary-Treasurer

Jennifer Mink

Attest:

Kristin Goldstein Kristin Goldstein
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 \$6,500,000.00. Within this aggregate amount, the Borrower may, at its discretion, execute one or more Notes, each Note representing a separate loan with CFC and containing a face amount and Maturity Date in accordance with the terms, conditions and provisions of this Agreement.
3. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of November 1, 2004, among the Borrower, CFC, CoBank and RUS, as it may have been 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
KY058-A-9022	\$6,500,000.00	Level Principal

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:

<u>Name of Subsidiary</u>	<u>% of Borrower's ownership</u>
N/A	
7. The date of the Borrower's balance sheet referred to in Section 2.01.H is December 31, 2016.
8. The Borrower's exact legal name is: Big Sandy 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 place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 504 11th Street, Paintsville, KY 41240-1422.
12. The Governmental Authority referred to in Section 2.01.J is: Kentucky Public Service Commission
13. The special conditions of closing referred to in Section 4.01.G are as follows: None
14. The special conditions of advance referred to in Section 4.02.D are as follows: None
15. The special covenant(s) referred to in Section 5.01.O is (are) as follows: None

16. The address for notices to the Borrower referred to in Section 8.01 is:

If by personal delivery (including overnight mail or courier service):

Big Sandy Rural Electric Cooperative Corporation
504 11th Street
Paintsville, KY 41240-1422
Attention: General Manager

If by United States mail:

Big Sandy Rural Electric Cooperative Corporation
504 11th Street
Paintsville, KY 41240-1422
Attention: General Manager

If by facsimile:

Fax: (606) 789-5454

EXHIBIT A

Loan Funds Requisition Statement

Refinance of RUS Loans

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

Amount requested to prepay the following RUS loans:

[illegible]

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: _____ Date: _____
 Signature

 Print Name

 Title

Please fax to CFC at 703.467.5652 ATTN: _____ (AVP)

CFC LOANAG
KY058-A-9022(ELGINB)
217095-1

RUS Project Designation:

KENTUCKY 0058-AR47 FLOYD

RUS LOAN CONTRACT

An Agreement Made By And Between

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION,

as Borrower

and

UNITED STATES OF AMERICA,

as Lender

Dated as of November 1, 2022

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL UTILITIES SERVICE

RUS LOAN CONTRACT

AGREEMENT, dated as November 1, 2022, between BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION ("Borrower"), a corporation organized and existing under the laws of the Commonwealth of Kentucky (the "State"), and the UNITED STATES OF AMERICA, acting by and through the Administrator of the Rural Utilities Service ("RUS").

RECITALS

The Borrower has applied to RUS for financial assistance for the purpose(s) set forth in Schedule I hereto.

RUS is willing to extend financial assistance to the Borrower pursuant to the Rural Electrification Act of 1936, as amended, on the terms and conditions stated herein.

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

ARTICLE I

DEFINITIONS

Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Act shall mean the Rural Electrification Act of 1936, as amended.

Advance or Advances shall mean advances of Loan funds to the Borrower which have been made or approved by RUS pursuant to the terms and conditions of this Agreement.

Agreement shall mean this Loan Contract together with all schedules and exhibits and also any subsequent supplements or amendments.

Business Day shall mean any day that RUS is open for business.

Contemporaneous Loan shall mean any loan which the Borrower has used to satisfy RUS Regulations or loan conditions requiring that supplemental financing be obtained in order to obtain a loan from RUS. Any loan used to refinance or refund a Contemporaneous Loan is also considered to be a Contemporaneous Loan.

Coverage Ratios shall mean, collectively, the following financial ratios: (i) TIER of 1.25; (ii) Operating TIER of 1.1; (iii) DSC of 1.25; and Operating DSC of 1.1.

Debt Service Coverage Ratio ("DSC") shall have the meaning provided in the Mortgage.

Distributions shall mean for the Borrower to, in any calendar year, declare or pay any dividends, or pay or determine to pay any patronage refunds, or retire any patronage capital or make any other Cash Distributions, to its members, stockholders or consumers; provided, however, that for the purposes of this Agreement a "Cash Distribution" shall be deemed to include any general cancellation or abatement of charges for electric energy or services furnished by the Borrower, but not the repayment of a membership fee upon termination of a membership or the rebate of an abatement of wholesale power costs previously incurred pursuant to an order of a state regulatory authority or a wholesale power cost adjustment clause or similar power pricing agreement between the Borrower and a power supplier.

Electric System shall have the meaning as defined in the Mortgage.

Equity shall mean the Borrower's total margins and equities computed pursuant to RUS Accounting Requirements but excluding any Regulatory Created Assets.

Event of Default shall have the meaning as defined in Section 7.1.

Final Maturity Date shall have the meaning as defined in the Note.

Independent when used with respect to any specified person or entity means such a person or entity who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Borrower or in any affiliate of the Borrower and (3) is not connected with the Borrower as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

Interest Expense shall mean the interest expense of the Borrower computed pursuant to RUS Accounting Requirements.

Loan shall mean the loan described in Article III which is being made or guaranteed pursuant to the RUS Commitment in furtherance of the objectives of the Act.

Loan Documents shall mean, collectively, this Agreement, the Mortgage and the Note and shall also include any Reimbursement Note.

Long-Term Debt shall mean the total of all amounts included in the long-term debt of the Borrower pursuant to RUS Accounting Requirements.

Monthly Payment Date shall have the meaning as defined in the Note.

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

Mortgaged Property shall have the meaning as defined in the Mortgage.

Net Utility Plant shall mean the amount constituting the Total Utility Plant of the Borrower, less depreciation, computed in accordance with RUS Accounting Requirements.

Note shall mean a promissory note or notes executed by the Borrower in the form of Exhibit A hereto, and any note executed and delivered to RUS or to the Federal Financing Bank (FFB) to refund, or in substitution for such a note; and any reimbursement notes executed and delivered to RUS. If the RUS Commitment includes both a commitment by RUS to make a loan and also a commitment by RUS to guarantee a loan made by FFB, then Exhibit A includes both forms and any reimbursement notes executed and delivered to RUS. Note shall also mean any promissory note or notes executed by the Borrower and delivered to a third party in connection with a loan that RUS has guaranteed as to payment pursuant to a master loan guaranty agreement.

Operating DSC or ODSC shall mean Operating Debt Service Coverage calculated as:

$$ODSC = \frac{A+B+C}{D}$$

where:

All amounts are for the same calendar year and are computed pursuant to RUS Accounting Requirements and the Financial and Operating Report. ;

A = Depreciation and Amortization Expense of the Electric System;

B = Interest Expense on Total Long-Term Debt of the Electric System, except that such Interest Expense shall be increased by 1/3 of the amount, if any, by which the Restricted Rentals of the Electric System exceed 2 percent of the Borrower's Equity;

C = Patronage capital & operating margins of the Electric System, (which equals operating revenue and patronage capital of Electric System operations, less total cost of electric service, including Interest Expense on Total Long-Term Debt of the Electric System) plus cash received from the retirement of patronage capital by suppliers of electric power and by lenders for credit extended for the Electric System; and

D = Debt service billed which equals the sum of all payments of principal and interest required to be made on account of Total Long-Term Debt of the Electric System during the calendar year, plus 1/3 of the amount, if any, by which Restricted Rentals of the Electric System exceed 2 percent of the Mortgagor's Equity.

Operating TIER or OTIER shall mean Operating Times Interest Earned Ratio calculated as:

$$\text{OTIER} = \frac{A+B}{A}$$

where:

All amounts are for the same calendar year and are computed pursuant to RUS Accounting Requirements and RUS Form 7;

A = Interest Expense on Total Long-Term Debt of the Electric System, except that such Interest Expense shall be increased by 1/3 of the amount, if any, by which Restricted Rentals of the Electric System exceed 2 percent of the Mortgagor's Equity; and

B = Patronage capital & operating margins of the Electric System, (which equals operating revenue and patronage capital of Electric System operations, less total cost of electric service, including Interest Expense on Total Long-Term Debt of the Electric System) plus cash received from the retirement of patronage capital by suppliers of electric power and by lenders for credit extended for the Electric System.

Permitted Debt shall have the meaning as defined in Section 6.13.

Prior Loan Contracts shall mean all loan and loan guarantee agreements, if any, previously entered into by and between RUS and the Borrower.

Regulatory Created Assets shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets, computed pursuant to RUS Accounting Requirements.

Reimbursement Note shall mean any demand note of the Borrower which evidences the Borrower's obligation to immediately repay RUS any payments which RUS makes on behalf of the Borrower on the Note pursuant to a RUS guaranty if one has been provided under the terms of the RUS Commitment.

RUS Accounting Requirements shall mean any system of accounts prescribed by RUS Regulations as such RUS Accounting Requirements exist at the date of applicability thereof.

RUS Commitment shall have the meaning as defined in Schedule 1 hereto.

RUS Regulations shall mean regulations of general applicability published by RUS from time to time as they exist at the date of applicability thereof, and shall also include any regulations of other federal entities which RUS is required by law to implement.

Special Construction Account shall have the meaning as defined in Section 5.21.

Subsidiary shall mean a corporation that is a subsidiary of the Borrower and subject to the Borrower's control, as defined by RUS Accounting Requirements.

Termination Date shall mean the date specified in the Note after which no further Advances shall be made under the terms of the RUS Commitment.

Times Interest Earned Ratio ("TIER") shall have the meaning provided in the Mortgage.

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

Total Utility Plant shall mean the amount constituting the total utility plant of the Borrower computed in accordance with RUS Accounting Requirements.

Utility System shall have the meaning as defined in the Mortgage.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties.

To induce RUS to make the Loan, and recognizing that RUS is relying hereon, the Borrower represents and warrants as follows:

(a) **Organization; Power, Etc. The Borrower** : (i) is an organization of the type and organized in the jurisdiction set forth on the first page hereof, and is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents; (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law; and (v) is eligible to obtain the financial assistance from RUS contemplated by this Agreement.

(b) **Authority**. The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents and the performance of the transactions contemplated thereby have been duly authorized by all necessary corporate action and shall not violate any provision of law or of the Articles of Incorporation or By-Laws of the Borrower or result in a breach of, or constitute a default under, any agreement, indenture or other instrument to which the Borrower is a party or by which it may be bound.

(c) **Consents**. No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents, except (i) such as have been obtained and are in full force and effect and (ii) such as have been disclosed on Schedule 1 hereto.

(d) **Binding Agreement**. Each of the Loan Documents is, or when executed and delivered shall be, the legal, valid, and binding obligation of the Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(e) **Compliance with Laws**. The Borrower is in compliance in all material respects with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to

comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents, except as the Borrower has disclosed to RUS in writing.

(f) Litigation. There are no pending legal, arbitration, or governmental actions or proceedings to which the Borrower is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, profits or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents, and to the best of the Borrower's knowledge, no such actions or proceedings are threatened or contemplated, except as the Borrower has disclosed to RUS in writing.

(g) Title to Property. As to property which is presently included in the description of Mortgaged Property, the Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any Lien except Permitted Encumbrances or Liens permitted under the Mortgage.

(h) Financial Statements; No Material Adverse Change; Etc. All financial statements submitted to RUS in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of the Borrower and the results of the Borrower's operations for the periods covered thereby and are prepared in accordance with RUS Accounting Requirements consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of the Borrower. All budgets, projections, feasibility studies, and other documentation submitted by the Borrower to RUS are based upon assumptions that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(i) Principal Place of Business; Records. The principal place of business and chief executive office of the Borrower is at the address of the Borrower shown on Schedule 1 attached hereto.

(j) Location of Properties. All property owned by the Borrower is located in the counties identified in Schedule 1 hereto.

(k) Subsidiaries. The Borrower has no subsidiary, except as the Borrower has disclosed to RUS in writing.

(l) Legal Name. The Borrower's exact legal name is that indicated on the signature page.

(m) Organizational Number. Schedule 1 hereto accurately sets forth the Borrower's organizational identification number or accurately states that the Borrower has none.

(n) Defaults Under Other Agreements. The Borrower is not in default under any agreement or instrument to which it is a party or under which any of its properties are subject that is material to its financial condition, operations, properties, profits, or business.

(o) Survival. All representations and warranties made by the Borrower herein or made in any certificate delivered pursuant hereto shall survive the making of the Advances and the execution and delivery to RUS of the Note.

ARTICLE III

LOAN

Section 3.1. Advances.

RUS agrees to make, or in the case of any loan guaranteed by RUS, approve, and the Borrower agrees to request, on the terms and conditions of this Agreement, Advances from time to time in an aggregate principal amount not to exceed the RUS Commitment. On the Termination Date, RUS may stop advancing funds and limit the RUS Commitment to the amount advanced prior to such date. The obligation of the Borrower to repay the Advances shall be evidenced by the Note in the principal amount of the unpaid principal amount of the Advances from time to time outstanding. The Borrower shall give RUS written notice of the date on which each Advance is to be made.

Section 3.2. Last Date for an Advance.

Funds will only be advanced pursuant to this Agreement and the Note on or before the Last Date for an Advance, as specified in the Note. No funds will be advanced subsequent to the Last Date for an Advance unless prior to such date the Administrator has extended this date by written agreement as provided in 7 C.F.R. §1714.56 or any successor regulation. However, under no circumstances shall RUS ever make or approve an Advance, regardless of the Last Date for an Advance or any extension by the Administrator, later than September 30 of the fifth year after the Fiscal Year of Obligation as identified in Schedule 1 if such date would result in RUS obligating or permitting advances of funds contrary to the Antideficiency Act 31 U.S.C. §1341.

Section 3.3. Interest Rate and Payment.

Each Note shall be payable and bear interest as follows:

- (a) Payments and Amortization. Principal shall be amortized in accordance with one or more methods stated in Schedule 1 hereto and more fully described in the form of each Note attached hereto as Exhibit A.
- (b) Application of Payments. All payments which the Borrower sends to RUS on any outstanding obligation owed to or guaranteed by RUS shall be applied in the manner provided in the Borrower's Loan Documents to which such payments relate and in a manner consistent with RUS policies, practices, and procedures for obligations that have been similarly classified by RUS.
- (c) Electronic Funds Transfer. Except as otherwise prescribed by RUS, the Borrower shall make all payments on each Note utilizing electronic funds transfer procedures as specified by RUS.
- (d) Fixed or Variable Rate. Each Note shall bear interest at either a fixed or variable rate in accordance with one or more methods stated in Schedule 1 hereto and as more particularly described in the form of each Note attached hereto as Exhibit A.

Section 3.4. Prepayment.

The Borrower has no right to prepay a Note in whole or in part except such rights, if any, as are expressly provided for in a Note or applicable federal statutes. However, prepayment of a Note (and any penalties) shall be mandatory under Section 5.3 hereof if the Borrower has used a Contemporaneous Loan in order to qualify for the RUS Commitment, and later prepays the Contemporaneous Loan.

ARTICLE IV

CONDITIONS OF LENDING

Section 4.1. General Conditions.

The obligation of RUS to make or, in the case of any Loan guaranteed by RUS, approve to be made any Advance hereunder is subject to satisfaction of each of the following conditions precedent on or before the date of such Advance:

- (a) Legal Matters. All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for RUS.
- (b) Loan Documents. That RUS receive duly executed originals of this Agreement and the other Loan Documents.
- (c) Authorization. That RUS receive evidence satisfactory to it that all corporate documents and proceedings of the Borrower necessary for duly authorizing the execution, delivery and performance of the Loan Documents have been obtained and are in full force and effect.
- (d) Approvals. That RUS receive evidence satisfactory to it that all consents and approvals (including without limitation the consents referred to in Section 2.1(c) of this Agreement) which are necessary for, or required as a condition of, the validity and enforceability of each of the Loan Documents have been obtained and are in full force and effect.
- (e) Event of Default. That no Event of Default specified in Article VII and no event which, with the lapse of time or the notice and lapse of time specified in Article VII would become such an Event of Default, shall have occurred and be continuing, or shall have occurred after giving effect to the Advance on the books of the Borrower.
- (f) Continuing Representations and Warranties. That the representations and warranties of the Borrower contained in this Agreement be true and correct on and as of the date of such Advance as though made on and as of such date.
- (g) Opinion of Counsel. That RUS receive an opinion of counsel for the Borrower (who shall be acceptable to RUS) in form and content acceptable to RUS.
- (h) Mortgage Filing. The Mortgage shall have been duly recorded as a mortgage on real property, including after-acquired real property, and a financing statement shall have been duly filed, recorded and indexed as a security interest in personal property, including after acquired personal property, wherever RUS shall have requested, all in accordance with applicable law, and the Borrower shall have caused satisfactory evidence thereof to be furnished to RUS.
- (i) Wholesale Power Contract. That the Borrower shall not be in default under the terms of, or contesting the validity of, any contract for sales for resale that has been pledged by any entity to RUS as security for the repayment of any loan made or guaranteed by RUS under the Act.
- (j) Material Adverse Change. That there has occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower and nothing has occurred which in the opinion of RUS materially and adversely affects the Borrower's ability to meet its obligations hereunder.
- (k) Requisitions. That the Borrower shall requisition all Advances by submitting its requisition to RUS in form and substance satisfactory to RUS. Requisitions shall be made only for the purpose(s) set forth herein. The Borrower agrees to apply the proceeds of the Advances in accordance with its loan application with such modifications as may be mutually agreed.
- (l) Flood Insurance. That for any Advance used in whole or in part to finance the construction or acquisition of any building in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 (the "Flood Insurance Act") or any rules, regulations or orders issued to implement the Flood Insurance Act ("Rules") as any area having special flood hazards, or to finance any facilities or materials to be located in any such building, or in any building owned or occupied by the Borrower and located in such a flood hazard area, the Borrower has submitted evidence, in form and substance satisfactory to RUS, or RUS has otherwise determined, that (i) the community in which such area is located is then participating in the national flood insurance program, as required by the Flood

Insurance Act and any Rules, and (ii) the Borrower has obtained flood insurance coverage with respect to such building and contents as may then be required pursuant to the Flood Insurance Act and any Rules.

(m) Compliance with Loan Contract and Mortgage. That the Borrower is in material compliance with all provisions of this Agreement and the Mortgage.

Section 4.2. Special Conditions.

The obligation of RUS to make or, in the case of any Loan guaranteed by RUS, approve to be made any Advance hereunder is also subject to satisfaction, on or before the date of such Advance, of each of the special conditions, if any, listed in Schedule I hereto.

ARTICLE V

AFFIRMATIVE COVENANTS

Section 5.1. Generally.

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, whether or not any Advance is outstanding, the Borrower agrees to duly observe each of the affirmative covenants contained in this Article.

Section 5.2. Annual Certificates.

(a) Performance under Loan Documents. The Borrower shall duly observe and perform all of its obligations under each of the Loan Documents.

(b) Annual Certification. Within ninety (90) days after the close of each calendar year, commencing with the year following the year in which the initial Advance hereunder shall have been made, the Borrower shall deliver to RUS a written statement signed by its General Manager, stating that during such year the Borrower has fulfilled all of its obligations under the Loan Documents throughout such year in all material respects 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.

Section 5.3. Simultaneous Prepayment of Contemporaneous Loans.

If the Borrower shall at any time prepay in whole or in part the Contemporaneous Loan described on Schedule 1, the Borrower shall prepay the RUS Note correspondingly in order to maintain the ratio that the Contemporaneous Loan bears to the RUS Commitment. If the RUS Note calls for a prepayment penalty or premium, such amount shall be paid but shall not be used in computing the amount needed to be paid to RUS under this section to maintain such ratio. In the case of Contemporaneous Loans and RUS Notes existing prior to the date of this Agreement under previous agreements, prepayments shall be treated as if governed by this section. Provided, however, in all cases prepayments associated with refinancing or refunding a Contemporaneous Loan pursuant to Article II of the Mortgage are not considered to be prepayments for purposes of this Agreement if they satisfy each of the following requirements:

- (a) Principal. The principal amount of such refinancing or refunding loan is not less than the amount of loan principal being refinanced; and
- (b) Weighted Average Life. The weighted average life of the refinancing or refunding loan is not less than the weighted average remaining life of the loan being refinanced.

Section 5.4. Rates to Provide Revenue Sufficient to Meet Coverage Ratios Requirements.

(a) Prospective Requirement. The Borrower shall design and implement rates for utility service furnished by it to provide sufficient revenue (along with other revenue available to the Borrower in the case of TIER and DSC) (i) to pay all fixed and variable expenses when and as due, (ii) to provide and maintain reasonable working capital, and (iii) to maintain, on an annual basis, the Coverage Ratios. In designing and implementing rates under this paragraph, such rates should be capable of producing at least enough revenue to meet the requirements of this paragraph under the assumption that average weather conditions in the Borrower's service territory shall prevail in the future, including average Utility System damage and outages due to weather and the related costs.

(b) Retrospective Requirement. The average Coverage Ratios achieved by the Borrower in the 2 best years out of the 3 most recent calendar years must be not less than any of the following:

TIER	=	1.25
DSC	=	1.25
OTIER	=	1.1
ODSC	=	1.1

(c) Prospective Notice of Change in Rates. The Borrower shall give thirty (30) days prior written notice of any proposed change in its general rate structure to RUS if RUS has requested in writing that it be notified in advance of such changes.

(d) Routine Reporting of Coverage Ratios. Promptly following the end of each calendar year, the Borrower shall report, in writing, to RUS the TIER, Operating TIER, DSC and Operating DSC levels which were achieved during that calendar year.

(e) Reporting Non-achievement of Retrospective Requirement. If the Borrower fails to achieve the average levels required by paragraph (b) of this section, it must promptly notify RUS in writing to that effect.

(f) Corrective Plans. Within 30 days of sending a notice to RUS under paragraph (e) of this section, or of being notified by RUS, whichever is earlier, the Borrower in consultation with RUS, shall provide a written plan satisfactory to RUS setting forth the actions that shall be taken to achieve the required Coverage Ratios on a timely basis.

(g) Noncompliance. Failure to design and implement rates pursuant to paragraph (a) of this section and failure to develop and implement the plan called for in paragraph (f) of this section shall constitute an Event of Default under this Agreement in the event that RUS so notifies the Borrower to that effect under section 7.1(d) of this Agreement.

Section 5.5. Depreciation Rates.

The Borrower shall adopt as its depreciation rates only those which have been previously approved for the Borrower by RUS.

Section 5.6. Property Maintenance.

The Borrower shall maintain and preserve its Utility System in compliance in all material respects with the provisions of the Mortgage, RUS Regulations and all applicable laws.

Section 5.7. Financial Books.

The Borrower shall at all times keep, and safely preserve, proper books, records and accounts in which full and true entries shall be made of all of the dealings, business and affairs of the Borrower and its Subsidiaries, in accordance with any applicable RUS Accounting Requirements.

Section 5.8. Rights of Inspection.

The Borrower shall afford RUS, through its representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and the right to inspect the Utility System, any other property encumbered by the Mortgage, and any or all books, records, accounts, invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in any way pertaining to its property or business, including its Subsidiaries, if any, and to make copies or extracts therefrom.

Section 5.9. Area Coverage.

(a) The Borrower shall make diligent effort to extend electric service to all unserved persons within the service area of the Borrower who (i) desire such service and (ii) meet all reasonable requirements established by the Borrower as a condition of such service.

(b) If economically feasible and reasonable considering the cost of providing such service and/or the effects on consumers' rates, such service shall be provided, to the maximum extent practicable, at the rates and minimum charges established in the Borrower's rate schedules, without the payment of such persons, other than seasonal or temporary consumers, of a contribution in aid of construction. A seasonal consumer is one that demands electric service only during certain seasons of the year. A temporary consumer is a seasonal or year-round consumer that demands electric service over a period of less than five years.

(c) The Borrower may assess contributions in aid of construction provided such assessments are consistent with this section.

Section 5.10. Real Property Acquisition.

In acquiring real property, the Borrower shall comply in all material respects with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (the "Uniform Act"), as amended by the Uniform Relocation Act Amendments of 1987, and 49 CFR part 24, referenced by 7 CFR part 21, to the extent the Uniform Act is applicable to such acquisition.

Section 5.11. "Buy American" Requirements.

The Borrower shall use or cause to be used in connection with the expenditures of funds advanced on account of the Loan only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or any eligible country substantially all from articles, materials, and supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent RUS shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that country, as determined by the United States Trade Representative.

Section 5.12. Power Requirements Studies.

The Borrower shall prepare and use power requirements studies of its electric loads and future energy and capacity requirements in conformance with RUS Regulations.

Section 5.13. Long Range Engineering Plans and Construction Work Plans.

The Borrower shall develop, maintain and use up-to-date long-range engineering plans and construction work plans in conformance with RUS Regulations.

Section 5.14. Design Standards, Construction Standards, and List of Materials.

The Borrower shall use design standards, construction standards, and lists of acceptable materials in conformance with RUS Regulations.

Section 5.15. Plans and Specifications.

The Borrower shall submit plans and specifications for construction to RUS for review and approval, in conformance with RUS Regulations, if the construction will be financed in whole or in part by a loan made or guaranteed by RUS.

Section 5.16. Standard Forms of Construction Contracts, and Engineering and Architectural Services Contracts.

The Borrower shall use the standard forms of contracts promulgated by RUS for construction, procurement, engineering services and architectural services in conformance with RUS Regulations, if the construction, procurement, or services are being financed in whole or in part by a loan being made or guaranteed by RUS.

Section 5.17. Contract Bidding Requirements.

The Borrower shall follow RUS contract bidding procedures in conformance with RUS Regulations when contracting for construction or procurement financed in whole or in part by a loan made or guaranteed by RUS.

Section 5.18. Nondiscrimination.

(a) Equal Opportunity Provisions in Construction Contracts. The Borrower shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from RUS or borrowed on the credit of the United States pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such grant, contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Exhibit B hereto entitled Equal Opportunity Contract Provisions.

(b) Equal Opportunity Contract Provisions Also Bind the Borrower. The Borrower further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.

(c) Sanctions and Penalties. The Borrower agrees that it shall cooperate actively with RUS and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it shall furnish RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of RUS's primary responsibility for securing compliance. The Borrower further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings RUS may cancel, terminate or suspend in whole or in part this contract, may refrain from extending any further

assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from such Borrower, or may refer the case to the Department of Justice for appropriate legal proceedings.

Section 5.19. Financial Reports.

The Borrower shall cause to be prepared and furnished to RUS a full and complete annual report of its financial condition and of its operations in form and substance satisfactory to RUS, audited and certified by Independent certified public accountants satisfactory to RUS and accompanied by a report of such audit in form and substance satisfactory to RUS. The Borrower shall also furnish to RUS from time to time such other reports concerning the financial condition or operations of the Borrower, including its Subsidiaries, as RUS may reasonably request or RUS Regulations require.

Section 5.20. Miscellaneous Reports and Notices.

The Borrower shall furnish to RUS:

- (a) Notice of Default. Promptly after becoming aware thereof, notice of: (i) the occurrence of any default; and (ii) the receipt of any notice given pursuant to the Mortgage with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an "Event of Default" under the Mortgage.
- (b) Notice of Non-Environmental Litigation. Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents.
- (c) Notice of Environmental Litigation. Without limiting the provisions of Section 5.20(b) above, promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or other communications alleging a condition that may require the Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury or property damage to any person as a result of environmental factors or conditions for which the Borrower is not fully covered by insurance, or which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents.
- (d) Notice of Change of Place of Business. Promptly in writing, notice of any change in location of its principal place of business or the office where its records concerning accounts and contract rights are kept.
- (e) Regulatory and Other Notices. Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents.
- (f) Material Adverse Change. Promptly, notice of any matter which has resulted or may result in a material adverse change in the condition, financial or otherwise, operations, properties, or business of the Borrower, or the ability of the Borrower to perform its obligations under the Loan Documents.

(g) Assignment of Organizational Number. If the Borrower does not have an organizational identification number and later has one assigned to it, the Borrower will promptly notify RUS of such assigned organizational identification number.

(h) Other Information. Such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.

Section 5.21. Special Construction Account.

The Borrower shall hold all moneys advanced to it by RUS hereunder in trust for RUS and shall deposit such moneys promptly after the receipt thereof in a bank or banks which meet the requirements of Section 6.7 of this Agreement. Any account (hereinafter called "Special Construction Account") in which any such moneys shall be deposited shall be insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be designated by the corporate name of the Borrower followed by the words "Trustee, Special Construction Account." Moneys in any Special Construction Account shall be used solely for the construction and operation of the Utility System and may be withdrawn only upon checks, drafts, or orders signed on behalf of the Borrower and countersigned by an executive officer thereof.

Section 5.22. Additional Affirmative Covenants.

The Borrower also agrees to comply with any additional affirmative covenant(s) identified in Schedule 1 hereto.

ARTICLE VI

NEGATIVE COVENANTS

Section 6.1. General.

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, whether or not any Advance is outstanding hereunder, the Borrower shall duly observe each of the negative covenants set forth in this Article.

Section 6.2. Limitations on System Extensions and Additions.

(a) The Borrower shall not extend or add to its Electric System either by construction or acquisition without the prior written approval of RUS if the construction or acquisition is financed or will be financed, in whole or in part, by a RUS loan or loan guarantee.

(b) The Borrower shall not extend or add to its Electric System with funds from other sources without prior written approval of RUS in the case of:

(1) Generating facilities if the combined capacity of the facilities to be built, procured, or leased, including any future facilities included in the planned project, will exceed the lesser of 5 Megawatts or 30 percent of the Borrower's Equity;

(2) Existing electric facilities or systems in service whose purchase price, or capitalized value in the case of a lease, exceeds ten percent of the Borrower's Net Utility Plant; and

(3) Any project to serve a customer whose annual kWh purchases or maximum annual kW demand is projected to exceed 25 percent of the Borrower's total kWh sales or maximum kW demand in the year immediately preceding the acquisition or start of construction of facilities.

Section 6.3. Limitations on Changing Principal Place of Business.

The Borrower shall not change its principal place of business or keep property in a county not shown on a schedule to the Mortgage if the change would cause the lien in favor of RUS to become unperfected or fail to become perfected, as the case may be, unless, prior thereto, the Borrower shall have taken all steps required by law in order to assure that the lien in favor of RUS remains or becomes perfected, as the case may be, and, in either event, such lien has the priority accorded by the Mortgage.

Section 6.4. Limitations on Employment and Retention of Manager.

At any time any Event of Default, or any occurrence which with the passage of time or giving of notice would be an Event of Default, occurs and is continuing the Borrower shall not employ any general manager of the Utility System or the Electric System or any person exercising comparable authority to such a manager unless such employment shall first have been approved by RUS. If any Event of Default, or any occurrence which with the passage of time or giving of notice would be an Event of Default, occurs and is continuing and RUS requests the Borrower to terminate the employment of any such manager or person exercising comparable authority, or RUS requests the Borrower to terminate any contract for operating the Utility System or the Electric System, the Borrower shall do so within thirty (30) days after the date of such notice. All contracts in respect of the employment of any such manager or person exercising comparable authority, or for the operation of the Utility System or the Electric System, shall contain provisions to permit compliance with the foregoing covenants.

Section 6.5. Limitations on Certain Types of Contracts.

Without the prior approval of RUS in writing, the Borrower shall not enter into any of the following contracts:

- (a) Construction contracts. Any contract for construction or procurement or for architectural and engineering services in connection with its Electric System if the project is financed or will be financed, in whole or in part, by a RUS loan or loan guarantee;
- (b) Large retail power contracts. Any contract to sell electric power and energy for periods exceeding two (2) years if the kWh sales or kW demand for any year covered by such contract shall exceed 25 percent of the Borrower's total kWh sales or maximum kW demand for the year immediately preceding the execution of such contract;
- (c) Wholesale power contracts. Any contract to sell electric power or energy for resale and any contract to purchase electric power or energy that, in either case, has a term exceeding two (2) years;
- (d) Power supply arrangements. Any interconnection agreement, interchange agreement, wheeling agreement, pooling agreement or similar power supply arrangement that has a term exceeding two (2) years;
- (e) System management and maintenance contracts. Any contract for the management and operation of all or substantially all of its Electric System; or
- (f) Other contracts. Any contracts of the type described on Schedule 1.

Section 6.6. Limitations on Mergers and Sale, Lease or Transfer of Capital Assets.

- (a) The Borrower shall not consolidate with, or merge, or sell all or substantially all of its business or assets, to another entity or person except to the extent it is permitted to do so under the Mortgage. The exception contained in this paragraph (a) is subject to the additional limitation set forth in paragraph (b) of this section.
- (b) The Borrower shall not, without the written approval of RUS, voluntarily or involuntarily sell, convey or dispose of any portion of its business or assets (including, without limitation, any portion of its

franchise or service territory) to another entity or person if such sale, conveyance or disposition could reasonably be expected to reduce the Borrower's existing or future requirements for energy or capacity being furnished to the Borrower under any wholesale power contract which has been pledged as security to RUS.

Section 6.7. Limitations on Using non-FDIC Insured Depositories.

Without the prior written approval of RUS, the Borrower shall not place the proceeds of the Loan or any loan which has been made or guaranteed by RUS in the custody of any bank or other depository that is not insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS.

Section 6.8. Limitation on Distributions.

Without the prior written approval of RUS, the Borrower shall not in any calendar year make any Distributions (exclusive of any Distributions to the estates of deceased natural patrons) to its members, stockholders or consumers except as follows:

- (a) Equity above 30%. If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than or equal to 30% of its Total Assets; or
- (b) Equity above 20%. If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than or equal to 20% of its Total Assets and the aggregate of all Distributions made during the calendar year when added to such Distribution shall be less than or equal to 25% of the prior year's margins.

Provided however, that in no event shall the Borrower make any Distributions if there is unpaid when due any installment of principal of (premium, if any) or interest on any of its payment obligations secured by the Mortgage, if the Borrower is otherwise in default hereunder or if, after giving effect to any such Distribution, the Borrower's current and accrued assets would be less than its current and accrued liabilities.

Section 6.9. Limitations on Loans, Investments and Other Obligations.

The Borrower shall not make any loan or advance to, or make any investment in, or purchase or make any commitment to purchase any stock, bonds, notes or other securities of, or guaranty, assume or otherwise become obligated or liable with respect to the obligations of, any other person, firm or corporation, except as permitted by the Act and RUS Regulations.

Section 6.10. Depreciation Rates.

The Borrower shall not file with or submit for approval of regulatory bodies any proposed depreciation rates which are inconsistent with RUS Regulations.

Section 6.11. Historic Preservation.

The Borrower shall not, without approval in writing by RUS, use any Advance to construct any facilities which shall involve any district, site, building, structure or object which is included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

Section 6.12. Rate Reductions.

Without the prior written approval of RUS, the Borrower shall not decrease its rates if it has failed to achieve all of the Coverage Ratios for the calendar year prior to such reduction.

Section 6.13. Limitations on Additional Indebtedness.

Except as expressly permitted by Article II of the Mortgage and subject to the further limitations expressed in the next section, the Borrower shall not incur, assume, guarantee or otherwise become liable in respect of any debt for borrowed money and Restricted Rentals (including Subordinated Indebtedness) other than the following: ("Permitted Debt")

- (a) Additional Notes issued in compliance with Article II of the Mortgage;
- (b) Purchase money indebtedness in non-Utility System property, in an amount not exceeding 10% of Net Utility Plant;
- (c) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (d) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;
- (e) Unsecured indebtedness for borrowed money, except when the aggregate amount of such indebtedness exceeds 15% of Net Utility Plant and after giving effect to such unsecured indebtedness the Borrower's Equity is less than 30% of its Total Assets;
- (f) Debt represented by dividends declared but not paid; and
- (g) Subordinated Indebtedness approved by RUS.

PROVIDED, However, that the Borrower may incur Permitted Debt without the consent of RUS only so long as there exists no Event of Default hereunder and there has been no continuing occurrence which with the passage of time and giving of notice could become an Event of Default hereunder.

PROVIDED, FURTHER, by executing this Agreement any consent of RUS that the Borrower would otherwise be required to obtain under this section is hereby deemed to be given or waived by RUS by operation of law to the extent, but only to the extent, that to impose such a requirement of RUS consent would clearly violate federal laws or RUS Regulations.

Section 6.14. Limitations on Issuing Additional Indebtedness Secured Under the Mortgage.

- (a) The Borrower shall not issue any Additional Notes under the Mortgage to finance Eligible Property Additions without the prior written consent of RUS unless the following additional requirements are met in addition to the requirements set forth in the Mortgage for issuing Additional Notes:
 - (1) The weighted average life of the loan evidenced by such Notes does not exceed the weighted average of the expected remaining useful lives of the assets being financed;
 - (2) The principal of the loan evidenced by such Notes is 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; and
 - (3) The principal of the loan being evidenced by such Notes has a maturity of not less than 5 years.
- (b) The Borrower shall not issue any Additional Notes under the Mortgage to refund or refinance Notes without the prior written consent of RUS unless, in addition to the requirements set forth in the Mortgage for issuing Refunding or Refinancing Notes, the weighted average life of any such Refunding or Refinancing Notes is not greater than the weighted average remaining life of the Notes being refinanced.
- (c) Any request for consent from RUS under this section, shall be accompanied by a certificate of the Borrower's manager substantially in the form attached to this Agreement as Exhibit C-1 in the case of

Notes being issued under Section 2.01 of the Mortgage and C-2 in the case of Notes being issued under Section 2.02 of the Mortgage.

Section 6.15. Impairment of Contracts Pledged to RUS.

The Borrower shall not materially breach any obligation to be paid or performed by the Borrower on any contract, or take any action which is likely to materially impair the value of any contract, which has been pledged as security to RUS by the Borrower or any other entity.

Section 6.16. Notice of Organizational Changes.

The Borrower covenants and agrees with RUS that the Borrower will not, directly or indirectly, without giving written notice to RUS thirty (30) days prior to the effective date:

- (a) Change the name of the Borrower
- (b) Change the mailing address of the Borrower, and
- (c) Change its organizational identification number if it has one.

Section 6.17. Consent for Organizational Changes.

The Borrower covenants and agrees with RUS that the Borrower will not, directly or indirectly, without the prior written consent of RUS change its type of organization, jurisdiction of organization or other legal structure.

Section 6.18. Additional Negative Covenants.

The Borrower also agrees to comply with any additional negative covenant(s) identified in Schedule 1 hereto.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1. Events of Default.

The following shall be Events of Default under this Agreement:

- (a) Representations and Warranties. Any representation or warranty made by the Borrower in Article II hereof or any certificate furnished to RUS hereunder or under the Mortgage shall prove to have been incorrect in any material respect at the time made and shall at the time in question be untrue or incorrect in any material respect and remain uncured;
- (b) Payment. Default shall be made in the payment of or on account of interest on or principal of the Note or any other Government Note when and as the same shall be due and payable, whether by acceleration or otherwise, which shall remain unsatisfied for five (5) Business Days;
- (c) Borrowing Under the Mortgage in Violation of the Loan Contract. Default by the Borrower in the observance or performance of any covenant or agreement contained in Section 6.14 of this Agreement;
- (d) Other Covenants. Default by the Borrower in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for 30 calendar days after written notice thereof shall have been given to the Borrower by RUS;

(e) Corporate Existence. The Borrower shall forfeit or otherwise be deprived of its corporate charter, franchises, permits, easements, consents or licenses required to carry on any material portion of its business;

(f) Other Obligations. Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation;

(g) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of ninety (90) consecutive days or the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors; and

(h) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, 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 shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within 30 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 permitting such actions.

ARTICLE VIII

REMEDIES

Section 8.1. Generally.

Upon the occurrence of an Event of Default, then RUS may pursue all rights and remedies available to RUS that are contemplated by this Agreement or the Mortgage in the manner, upon the conditions, and with the effect provided in this Agreement or the Mortgage, including, but not limited to, a suit for specific performance, injunctive relief or damages. Nothing herein shall limit the right of RUS to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Article VII hereof. Each right, power and remedy of RUS 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.

Section 8.2. Suspension of Advances.

In addition to the rights, powers and remedies referred to in the immediately preceding section, RUS may, in its absolute discretion, suspend making or, in the case of any Loan guaranteed by RUS, approving Advances hereunder if (i) any Event of Default, or any occurrence which with the passage of time or giving of notice would be an Event of Default, occurs and is continuing; (ii) there has occurred a change in the business or condition, financial or otherwise, of the Borrower which in the opinion of RUS materially and adversely affects the Borrower's ability to meet its obligations under the Loan Documents, or (iii) RUS is authorized to do so under RUS Regulations.

ARTICLE IX
MISCELLANEOUS

Section 9.1. 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. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Address for Notices of the respective parties are set forth in Schedule 1 hereto.

Section 9.2. Expenses.

To the extent allowed by law, the Borrower shall pay all costs and expenses of RUS, including reasonable fees of counsel, incurred in connection with the enforcement of the Loan Documents or with the preparation for such enforcement if RUS has reasonable grounds to believe that such enforcement may be necessary.

Section 9.3. Late Payments.

If payment of any amount due hereunder is not received at the United States Treasury in Washington, DC, or such other location as RUS may designate to the Borrower within five (5) Business Days after the due date thereof or such other time period as RUS may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period"), the Borrower shall pay to RUS, in addition to all other amounts due under the terms of the Note, the Mortgage and this Agreement, any late-payment charge as may be fixed by RUS Regulations from time to time on the delinquent amount for the late-payment period.

Section 9.4. Filing Fees.

To the extent permitted by law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower agrees to save harmless and indemnify RUS 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 RUS 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 hereunder or due on the Note.

Section 9.5. No Waiver.

No failure on the part of RUS to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise by RUS of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 9.6. Governing Law.

EXCEPT TO THE EXTENT GOVERNED BY APPLICABLE FEDERAL LAW, THE LOAN DOCUMENTS SHALL BE DEEMED TO BE GOVERNED BY, AND CONSTRUED IN

ACCORDANCE WITH, THE LAWS OF THE STATE IN WHICH THE BORROWER IS INCORPORATED.

Section 9.7. Holiday 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 9.8. Rescission.

The Borrower may elect not to borrow the RUS Commitment in which event RUS shall release the Borrower from its obligations hereunder, provided the Borrower complies with such terms and conditions as RUS may impose for such release and provided also that if the Borrower has any remaining obligations to RUS for loans made or guaranteed by RUS under any Prior Loan Contracts, RUS may, under Section 9.15 of this Loan Contract, withhold such release until all such obligations have been satisfied and discharged.

Section 9.9. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Borrower and RUS and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of RUS.

Section 9.10. Complete Agreement; Waivers and Amendments.

Subject to RUS Regulations, this Agreement and the other Loan Documents are intended by the parties to be a complete and final expression of their agreement. However, RUS reserves the right to waive its rights to compliance with any provision of this Agreement and the other Loan Documents. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure of the Borrower there from or therefrom, shall be effective unless approved in writing by RUS in the form of either a RUS Regulation or other writing signed by or on behalf of RUS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 9.11. Headings.

The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 9.12. Severability.

If any term, provision or condition, or any part thereof, of this Agreement or the Mortgage 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 Mortgage shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

Section 9.13. Right of Setoff.

Upon the occurrence and during the continuance of any Event of Default, RUS is hereby authorized at any time and from time to time, without prior notice to the Borrower, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS 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. RUS agrees to notify the Borrower promptly after any such setoff or

recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of RUS under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which RUS may have. Borrower waives all rights of setoff, deduction, recoupment or counterclaim.

Section 9.14. Schedules and Exhibits.

Each Schedule and Exhibit attached hereto and referred to herein is each an integral part of this Agreement.

Section 9.15. Prior Loan Contracts.

With respect to all Prior Loan Contracts, the Borrower shall, commencing on the delivery date hereof, prospectively meet the affirmative and negative covenants as set forth in this Agreement rather than those set forth in the Prior Loan Contracts. In addition, any remaining obligation of RUS to make or approve additional Advances on promissory notes of the Borrower that have been previously delivered to RUS under Prior Loan Contracts shall, after the date hereof, be subject to the conditions set forth in this Agreement. In the event of any conflict between any provision set forth in a Prior Loan Contract and any provision in this Agreement, the requirements as set forth in this Agreement shall apply. Nothing in this section shall, however, eliminate or modify (i) any special condition, special affirmative covenant or special negative covenant, if any, set forth in any Prior Loan Contract or (ii) alter the repayment terms of any promissory notes which the Borrower has delivered under any Prior Loan Contract, except, in either case, as RUS may have specifically agreed to in writing.

Section 9.16. Authority of Representatives of RUS.

In the case of any consent, approval or waiver from RUS that is required under this Agreement or any other Loan Document, such consent, approval or waiver must be in writing and signed by an authorized RUS representative to be effective. As used in this section, "authorized RUS representative" means the Administrator of RUS, and also means a person to whom the Administrator has officially delegated specific or general authority to take the action in question.

Section 9.17. Term.

This Agreement shall remain in effect until one of the following two events has occurred:

- (a) The Borrower and RUS replace this Agreement with another written agreement; or
- (b) All of the Borrower's obligations under the Prior Loan Contracts and this Agreement have been discharged and paid.

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

BIG SANDY RURAL ELECTRIC COOPERATIVE,

(Seal)

by *Danny Wallen* Chairman

Attest: *Judy L. McClure*
Secretary

James VanRoox

UNITED STATES OF AMERICA

by CHRISTOPHER
MCLEAN

Digitally signed by
CHRISTOPHER MCLEAN
Date: 2022.11.01 17:09:18
+04'00'

Assistant Administrator – Electric
Program
of the
Rural Utilities Service

SECRETARY'S CERTIFICATE

I, James Vanhoose, do hereby certify that: I am the secretary of Big Sandy Rural Electric Cooperative Corporation (hereinafter called the "Corporation"), the following are true and correct copies of resolutions duly adopted by the Board of Directors¹ of the Corporation at the ~~special meeting~~ Regular Meeting held November 17, 20 22, and entered in the minute book of the Corporation and none of the following resolutions has been rescinded or modified:

RESOLUTIONS

1. RESOLVED that the Corporation borrow from United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS") an amount not to exceed \$ 14,745,000 ; and

2. RESOLVED that the corporation accept the terms and conditions which the Administrator of RUS has established for obtaining the RUS loan, as such terms and conditions are set forth; and

3. RESOLVED that the Chairman is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:

- (a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
- (b) a note payable to the RUS in the principal amount of \$ 14,745,000 , substantially in the form of the RUS note submitted to this meeting; and
- (c) as many counterparts as shall be deemed advisable of a Restated Mortgage and Security Agreement by and among the Borrower, the Government and National Rural Utilities Cooperative Finance Corporation, which among other things, pledges all of the Corporation's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$ 14,745,000 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and

4. RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

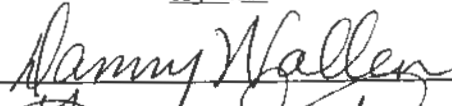
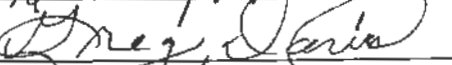
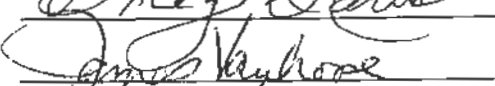
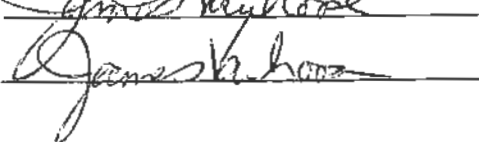
5. RESOLVED that [(title(s) of corporate official(s) authorized)], and any official(s) authorized to act in such corporate position(s) and to perform the functions of such position(s) [is]/[are] authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to RUS, and (b) to specify information and select options as provided in such instruments.

I FURTHER CERTIFY THAT each member of the Board of Directors of the Corporation was furnished with notice of said meeting in compliance with the bylaws of the Corporation.

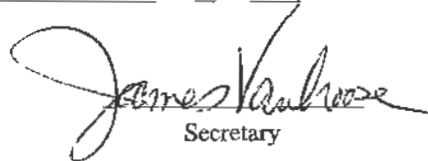
I FURTHER CERTIFY THAT the date of actual execution of the documents referred to above is November 17, 20 22.

¹If the Borrower has trustees instead of directors, substitute "trustees" for "directors" throughout.

I FURTHER CERTIFY THAT the following are the names and signatures, respectively, of the officers of the Corporation identified below who validly held and occupied their respective positions on said date of actual execution of the documents.

<u>Office</u>	<u>Name</u>	<u>Signature</u>
Chairman	Danny Wallen	
Vice Chairman	Greg Davis	
Secretary	James Vanhooze	
Treasurer	James Vanhooze	

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Corporation
this 17th day of November, 20 22.


Secretary

(Corporate Seal)

NOTE: See closing instructions for details on using this form.

RUS LOAN CONTRACT SCHEDULE 1

1. The purpose of this loan is to finance construction of distribution facilities and such other purposes that RUS may agree to in writing in order to carry out the purposes of the Act.
2. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of November 1, 2022, among the Borrower, RUS and National Rural Utilities Cooperative Finance Corporation, as it may have been or shall be supplemented, amended, consolidated, or restated from time to time.
3. The governmental authority referred to in Section 2.1(c) is the **Not Applicable**.
4. The date of the Borrower's financial information referred to in Section 2.1(h) is December 31, 2020.
5. The principal place of business and mailing address of the Borrower referred to in Section 2.1(i) is 504 11th Street, Paintsville, Kentucky 41240-1422.
6. All of the property of the Borrower is located in the Counties of Breathitt, Floyd, Johnson, Knott, Lawrence, Magoffin, Martin and Morgan in the Commonwealth of Kentucky.
7. There are no subsidiaries as referred to in Section 2.1(k).
8. The organizational identification number of the Borrower referred to in Section 2.1(m) is 0004187
9. Fiscal Year of Obligation: 2022
10. The Contemporaneous Loan referred to in Section 5.3 is described as follows:

None.
11. The RUS Commitment referred to in the definitions means a loan in the principal amount of \$14,745,000.00, which is being made to BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION, by RUS, pursuant to the Rural Electrification Act and RUS Regulations.
12. Amortization of Advance shall be based upon the method for the repayment of principal for an Advance selected for such Advance, in accordance with that certain note, dated as of even date herewith, evidencing the RUS loan.
13. The SPECIAL conditions referred to in Section 4.2 is as follows: **None**
14. The additional AFFIRMATIVE covenants referred to in Section 5.22 are as follows:

None.
15. The additional NEGATIVE covenants referred to in Section 6.16 are as follows:

None.
16. The additional types of contract referred to in Section 6.5(f) are described as follows:

None.

17. The addresses of the parties referred to in Section 9.1. are as follows:

RUS

Rural Utilities Service
U.S. Department of Agriculture
Washington, DC 20250-1500
Attention: Administrator
Fax: 844-875-8076

BORROWER

Big Sandy Rural Electric Cooperative Corporation
504 11th Street
Paintsville, Kentucky 41240-1422
Fax: 606-789-5454

EXHIBIT A

FORMS OF PROMISSORY AND REIMBURSEMENT NOTES

This Exhibit A of this Loan Contract consists of the following sample documents:

1. RUS Mortgage Note

RUS Mortgage Note
Treasury Rate

PROJECT DESIGNATION:

Kentucky 0058- AR47 Floyd

MORTGAGE NOTE

made by

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

to

UNITED STATES OF AMERICA

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

SECURITY INSTRUMENT:

Restated Mortgage and Security Agreement
Dated as of November 1, 2022,
Made by and Between
BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION,
United States of America, and
National Rural Utilities Cooperative Finance Corporation,
as amended and supplemented.
KY0058 – AR47 Floyd

MORTGAGE NOTE

NOTE DATE: November 1, 2022
FIRST PRINCIPAL PAYMENT DATE: November 1, 2024
LAST DATE FOR ADVANCE: November 1, 2026
FINAL MATURITY DATE: November 1, 2057
PLACE OF ISSUE: Paintsville, Kentucky

1. **Amount.** **BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION** (hereinafter called the "Borrower"), a corporation organized and existing under the laws of the Commonwealth of Kentucky, for value received, promises to pay to the order of the **UNITED STATES OF AMERICA** (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service (hereinafter called the "Administrator"), at the United States Treasury, Washington, D.C., at the times and in the manner hereinafter provided, such sums as may be advanced from time to time, not to exceed Fourteen Million Seven Hundred Forty Five Thousand Dollars and no cents (\$14,745,000.00), with interest payable from the date of each advance ("Advance") on the unpaid principal balance remaining unpaid from time to time as hereinafter provided.

2. **Interest Rate.** The Borrower agrees to pay interest on the unpaid principal balance hereunder for each Advance on the dates and at a rate or rates per annum (the "Treasury Interest Rate") determined by the Government for that Advance in accordance with 7 CFR §1710.51(a)(1), as amended or may be amended by subsequent regulations or notices (the "Interest Rate Term"), and as may be more particularly described in that certain Loan Contract dated as of November 1, 2022, between the Borrower and the Government, as it may be amended from time to time (the "Loan Contract").

3. **Fund Advance Period.** Funds will be advanced under this Note pursuant to this Note and the Loan Contract. The fund advance period for this Note begins on the date hereof and terminates four (4) years from the date of this note (the "Last Date for Advance"). All funds not advanced prior to the Last Date for Advance shall be automatically rescinded unless the Administrator extends the fund advance period in accordance with 7 CFR §1714.56, but in no event may an Advance be made hereunder that would result in an Advance contrary to the Antideficiency Act, 31 USC §1341.

4. **Payment on Advances made before the First Principal Payment Date.** Interest on principal advanced before the First Principal Payment Date hereof pursuant to the Loan Contract and remaining unpaid shall be payable monthly on the last day of each month (the "Monthly Payment Date") beginning on the Monthly Payment Date following the month of each Advance of principal for a period ending on the First Principal Payment Date after the date hereof. The first interest payment on an Advance made on or before the First Principal Payment Date from the date hereof shall be increased by the amount of interest accruing between the date of the Advance and the first day of the month following the month of the

Advance. Thereafter, to and including a date four (4) years after the date hereof, the Borrower shall pay all accrued interest on each Advance on every Monthly Payment Date and shall repay the principal on each such Advance according to the amortization method specified in Paragraph 7 of this Note.

5. **Payment on Advances made after the First Principal Payment Date.** For all Advances made after the First Principal Payment Date hereof, the Borrower shall pay all accrued interest on the unpaid principal balance of the principal amount advanced pursuant to the Loan Contract after the First Principal Payment Date hereof and remaining unpaid and shall repay the principal on each such Advance beginning on the Monthly Payment Date following the month of such Advance in accordance with the amortization method specified in Paragraph 7 of this Note. The first payment on an Advance made after the First Principal Payment Date shall be increased by the amount of interest accruing between the date of the Advance and the first day of the month following the month of the Advance. Payments under this Paragraph 5 shall be in addition to the payments on the Advances made pursuant to Paragraph 4. If there are no Advances made prior to the First Principal Payment Date, this Paragraph 5 sets forth the payment terms for all Advances pursuant to this Loan.

6. **Final Maturity Date.** Notwithstanding anything in this Note or the Loan Contract to the contrary, all amounts outstanding under this Note remaining unpaid as of the "Final Maturity Date" specified on page 1 of this Note shall be due and payable on the "Final Maturity Date".

7. **Amortization Method.** Each Advance will fully amortize between the date of such Advance and the Final Maturity Date during each Interest Rate Term for such Advance. The amount of each monthly payment of principal and interest for each Advance shall (i) substantially equal the amount of every other monthly payment on such Advance during such Interest Rate Term, and (ii) be in an amount that will pay all principal and interest of such Advance no later than the Final Maturity Date.

8. **Application of Payments.** Each payment made on this Note shall be applied first to the payment of interest on principal and then on account of principal. Any principal hereof advanced pursuant to the Loan Contract remaining unpaid, and interest thereon, shall become due and payable on the Final Maturity Date.

9. **Prepayment.** The Treasury rate direct electric loan evidenced by this note, or portion thereof, may be repaid at par on its Rollover Maturity Date (as defined in 7 CFR §1710.2) if there is one or may be prepaid after it has been advanced for not less than two years, at any time prior to its rollover or final maturity date at its "net present value" as determined by RUS. Such balance may also be prepaid pursuant to 7 CFR §1786 Subpart F, which Subpart F provides for prepayment at the Discounted Present Value as defined therein (the "Discounted Prepayment"). All Discounted Prepayments under 7 CFR §1786 Subpart F and Section 306B of the RE Act are subject to restrictions on additional RUS financing as set

forth in Section 306B(a)(5)(A)(i).

10. **Late Payments.** A late charge shall be charged on any payment not made within five (5) days of the date the payment becomes due. The late charge rate shall be computed on the payment from the due date at a rate equal to the rate of the cost of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury. In addition, the Borrower shall pay administrative costs and penalty charges assessed in accordance with applicable Government regulations. Acceptance by the Government of a late payment shall not be deemed to be a waiver of any right or remedy of the Government.

11. **Security.** This Note has been executed and delivered pursuant to and is secured by one or more certain mortgage(s), leasehold mortgage(s), or security document(s), as defined in the Loan Contract and more specifically described on the cover page of this Note, as the same may have been amended or supplemented (said mortgage(s), leasehold mortgage(s), or security document(s) and any such supplemental document(s) being hereinafter collectively called the "Mortgage"), and may be one of several notes (the "Notes") permitted to be executed and delivered by the Borrower pursuant to the Mortgage. The Mortgage provides that all Notes shall be equally and ratably secured thereby, and reference is hereby made to the Mortgage for a description of the property mortgaged and pledged, the terms of the security and the rights of the holders of Notes with respect thereto.

12. **Default and Acceleration.** In case of default by the Borrower, under this Note, the Loan Contract or the Mortgage, as provided in these loan documents, all principal advanced pursuant to this Note and the Loan Contract and remaining unpaid on this Note and any other Notes at the time outstanding, and all interest thereon, and any other amounts due thereon by the Borrower, may be declared or may become due and payable in the manner and with the effect provided in the Mortgage.

13. **Noteholder.** This Note evidences indebtedness created by a loan made by the Government under applicable notices and regulations and the RE Act. If the Government shall at any time assign this Note and ensure the payment hereof, the Borrower shall continue to make payments hereunder to the Government as collection agent for the insured holder, and, for purposes of the Mortgage, the Government, and not such insured holder, shall be considered to be, and shall have the rights of, the noteholder.

14. **Amendments to Note.** To the extent not inconsistent with applicable law, this Note shall be subject to modification by such amendments, extensions, and renewals as may be agreed upon in writing from time to time by the Borrower and Government.

15. **References to Regulations or Notices.** References in this Note to specific Government notices, rules or regulations will apply to corresponding provisions in future versions of such notices, rules or regulations.

16. **Terms of Note Control.** In the event of a conflict between the terms of this Note and the terms of the Loan Contract, the terms of this Note control.

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.

**BIG SANDY RURAL ELECTRIC COOPERATIVE
CORPORATION**

by: Danny Wallen
Chairman

(Seal)

Attest: Judy L. McClure
Title Notary Public

RUS PROJECT DESIGNATION:

KENTUCKY 0058-AR47 FLOYD

RESTATED MORTGAGE AND SECURITY AGREEMENT

made by and among

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION
504 11th Street
Paintsville, Kentucky 41240-1422,

Mortgagor, and

UNITED STATES OF AMERICA
Rural Utilities Service
Washington, D.C. 20250-1500,

Mortgagee, and

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
20701 Cooperative Way
Dulles, Virginia 20166,

Mortgagee

Dated as of November 1, 2022

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED
PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
NOTICE THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF UP TO \$100,000,000.00. INDEBTEDNESS SECURED HEREUNDER,
INCLUDING FUTURE INDEBTEDNESS, TOGETHER WITH INTEREST, ARE SENIOR TO INDEBTEDNESS TO OTHER CREDITORS
UNDER MORTGAGES AND LIENS FILED OR RECORDED SUBSEQUENT HERETO.
THIS INSTRUMENT WAS PREPARED BY ANDREW JAMERSON, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 0004187.

RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of November 1, 2022 (hereinafter sometimes called this "Mortgage"), is made by and among BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government") and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia, and is intended to confer rights and benefits on both the Government and CFC, as well as any and all other lenders pursuant to Article II of this Mortgage that enter into a supplemental mortgage in accordance with Section 2.04 of Article II hereof (the Government and CFC and any such other lenders being herein sometimes collectively referred to as the "Mortgagees").

RECITALS

WHEREAS, the Mortgagor, the Government and CFC are parties to that certain Restated Mortgage and Security Agreement dated as of November 1, 2004, as supplemented, amended or restated (the "Original Mortgage" identified in Schedule "A" of this Mortgage) originally entered into among the Mortgagor, the Government acting by and through the Administrator of the Rural Electrification Administration, the predecessor of RUS, and CFC;

WHEREAS, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor from time to time in one or more series, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same;

WHEREAS, the Mortgagor desires to enter into this Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity;

WHEREAS, this Mortgage restates and consolidates the Original Mortgage while preserving the priority of the Lien under the Original Mortgage securing the payment of Mortgagor's outstanding obligations secured under the Original Mortgage, which indebtedness is described more particularly by listing the Original Notes in Schedule "A" hereto; and

WHEREAS, all acts necessary to make this Mortgage a valid and binding legal instrument for the security of such notes and obligations, subject to the terms of this Mortgage, have been in all respects duly authorized;

NOW, THEREFORE, THIS MORTGAGE WITNESSETH: That to secure the payment of the principal of (and premium, if any) and interest on the Original Notes and all Notes issued hereunder according to their tenor and effect, and the performance of all provisions therein and herein contained, and in consideration of the covenants herein contained, the purchase or guarantee of Notes by the guarantors or holders thereof, and other good and valuable consideration, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant a continuing security interest and lien in for the purposes hereinafter expressed, unto the Mortgagees all property, assets, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein OR ANY OTHER KIND OR NATURE, except any Excepted Property, now owned or hereafter acquired or arising by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following:

GRANTING CLAUSE FIRST

- A. all of those fee and leasehold interests in real property set forth in Schedule "B" hereto, subject in each case to those matters set forth in such Schedule;
- B. all of the Mortgagor's interest in fixtures, easements, permits, licenses and rights-of-way comprising real property, and all other interests in real property, comprising any portion of the Utility System (as herein defined) located in the Counties listed in Schedule "B" hereto;
- C. all right, title and interest of the Mortgagor in and to those contracts of the Mortgagor
 - (i) relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Mortgagor,

- (ii) for the purchase of electric power and energy by the Mortgagor and having an original term in excess of 3 years,
 - (iii) for the sale of electric power and energy by the Mortgagor and having an original term in excess of 3 years, and
 - (iv) for the transmission of electric power and energy by or on behalf of the Mortgagor and having an original term in excess of 3 years, including in respect of any of the foregoing, any amendments, supplements and replacements thereto;
- D. all the property, rights, privileges, allowances and franchises particularly described in the annexed Schedule "B" are hereby made a part of, and deemed to be described in, this Granting Clause as fully as if set forth in this Granting Clause at length; and

ALSO ALL OTHER PROPERTY, real estate, lands, easements, servitudes, licenses, permits, allowances, consents, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same; all power sites, storage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, waterways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electric and other forms of energy (whether now known or hereafter developed) by steam, water, sunlight, chemical processes and/or (without limitation) all other sources of power (whether now known or hereafter developed); all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto; all telephone, radio, television and other communications, image and data transmission systems, air conditioning systems and equipment incidental thereto, water wheels, waterworks, water systems, steam and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereto, all machinery, engines, boilers, dynamos, turbines, electric, gas and other machines, prime movers, regulators, meters, transformers, generators (including, but not limited to, engine-driven generators and turbo generator units), motors, electrical, gas and mechanical appliances, conduits, cables, water, steam, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, towers, overhead conductors and devices, underground conduits, underground conductors and devices, wires, cables, tools, implements, apparatus, storage battery equipment, and all other equipment, fixtures and personalty; all municipal and other franchises, consents, certificates or permits; all emissions allowances; all lines for the transmission and distribution of electric current and other forms of energy, gas, steam, water or communications, images and data for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith, and (except as hereinbefore or hereinafter expressly excepted) all the right, title and interest of the Mortgagor in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or employed in connection with any property hereinbefore described, but in all circumstances excluding Excepted Property;

GRANTING CLAUSE SECOND

With the exception of Excepted Property, all right, title and interest of the Mortgagor in, to and under all personal property and fixtures of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts, chattel paper, electronic chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, any other contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently or hereinafter defined in the applicable UCC; provided, however that the term "instrument" shall be such term as defined in Article 9 of the applicable UCC rather than Article 3);

GRANTING CLAUSE THIRD

With the exception of Excepted Property, all right, title and interest of the Mortgagor in, to and under any and all agreements, leases or contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm or corporation relating to the Mortgaged Property (including contracts for the lease, occupancy or sale of the Mortgaged Property, or any portion thereof);

GRANTING CLAUSE FOURTH

With the exception of Excepted Property, all right title and interest of the Mortgagor in, to and under any and all books, records and correspondence relating to the Mortgaged Property, including, but not limited to all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Mortgaged Property;

GRANTING CLAUSE FIFTH

All other property, real, personal or mixed, of whatever kind and description and wheresoever situated, including without limitation goods, accounts, money held in a trust account pursuant hereto or to a loan agreement, and general intangibles now owned or which may be hereafter acquired by the Mortgagor, but excluding Excepted Property, now owned or which may be hereafter acquired by the Mortgagor, it being the intention hereof that all property, rights, privileges, allowances and franchises now owned by the Mortgagor or acquired by the Mortgagor after the date hereof (other than Excepted Property) shall be as fully embraced within and subjected to the lien hereof as if such property were specifically described herein;

GRANTING CLAUSE SIXTH

Also any Excepted Property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof by the Mortgagor or by anyone in its behalf; and any Mortgagee is hereby authorized to receive the same at any time as additional security hereunder for the benefit of all the Mortgagees. Such subjection to the lien hereof of any Excepted Property as additional security may be made subject to any reservations, limitations or conditions which shall be set forth in a written instrument executed by the Mortgagor or the person so acting in its behalf or by such Mortgagee respecting the use and disposition of such property or the proceeds thereof;

GRANTING CLAUSE SEVENTH

Together with (subject to the rights of the Mortgagor set forth in Section 5.01) all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and all the tolls, earnings, rents, issues, profits, revenues and other income, products and proceeds of the property subjected or required to be subjected to the lien of this Mortgage, and all other property of any nature appertaining to any of the plants, systems, business or operations of the Mortgagor, whether or not affixed to the realty, used in the operation of any of the premises or plants or the Utility System, or otherwise, which are now owned or acquired by the Mortgagor, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Mortgagor in and to the same and every part thereof (other than Excepted Property with respect to any of the foregoing).

EXCEPTED PROPERTY

There is, however, expressly excepted and excluded from the lien and operation of this Mortgage the following described property of the Mortgagor, now owned or hereafter acquired (herein sometimes referred to as "Excepted Property"):

- A. all shares of stock, securities or other interests of the Mortgagor in the National Rural Utilities Cooperative Finance Corporation and CoBank, ACB and its predecessors in interest other than any stock, securities or other interests that are specifically described in Subclause D of Granting Clause First as being subjected to the lien hereof;
- B. all rolling stock (except mobile substations), automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment which are titled and/or registered in any state of the United States of America, and all tools, accessories and supplies used in connection with any of the foregoing;
- C. all vessels, boats, ships, barges and other marine equipment, all airplanes, airplane engines and other flight equipment, and all tools, accessories and supplies used in connection with any of the foregoing;
- D. all office furniture, equipment and supplies that is not data processing, accounting or other computer equipment or software;

- E. all leasehold interests for office purposes;
- F. all leasehold interests of the Mortgagor under leases for an original term (including any period for which the Mortgagor shall have a right of renewal) of less than five (5) years;
- G. all timber and crops (both growing and harvested) and all coal, ore, gas, oil and other minerals (both in place or severed);
- H. the last day of the term of each leasehold estate (oral or written) and any agreement therefor, now or hereafter enjoyed by the Mortgagor and whether falling within a general or specific description of property herein: PROVIDED, HOWEVER, that the Mortgagor covenants and agrees that it will hold each such last day in trust for the use and benefit of all of the Mortgagees and Noteholders and that it will dispose of each such last day from time to time in accordance with such written order as the Mortgagee in its discretion may give;
- I. all permits, licenses, franchises, contracts, agreements, contract rights and other rights not specifically subjected or required to be subjected to the lien hereof by the express provisions of this Mortgage, whether now owned or hereafter acquired by the Mortgagor, which by their terms or by reason of applicable law would become void or voidable if mortgaged or pledged hereunder by the Mortgagor, or which cannot be granted, conveyed, mortgaged, transferred or assigned by this Mortgage without the consent of other parties whose consent has been withheld, or without subjecting any Mortgagee to a liability not otherwise contemplated by the provisions of this Mortgage, or which otherwise may not be, hereby lawfully and effectively granted, conveyed, mortgaged, transferred and assigned by the Mortgagor; and
- J. the property identified in Schedule "C" hereto.

PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default, any Mortgagee, or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Mortgaged Property, all the Excepted Property described or referred to in the foregoing Subdivisions A through H, inclusive, then owned or thereafter acquired by the Mortgagor shall immediately, and, in the case of any Excepted Property described or referred to in Subdivisions I through J, inclusive, upon demand of any Mortgagee or such receiver, become subject to the lien hereof to the extent permitted by law, and any Mortgagee or such receiver may, to the extent permitted by law, at the same time likewise take possession thereof, and (ii) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Mortgagor, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent and otherwise as hereinabove set forth.

However, pursuant to Granting Clause Sixth, the Mortgagor may subject to the lien of this Mortgage any Excepted Property, whereupon the same shall cease to be Excepted Property;

HABENDUM

TO HAVE AND TO HOLD all said property, rights, privileges and franchises of every kind and description, real, personal or mixed, hereby and hereafter (by supplemental mortgage or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, encumbered, hypothecated, pledged, set over, confirmed, or subjected to a continuing security interest and lien as aforesaid, together with all the appurtenances thereto appertaining (said properties, rights, privileges and franchises, including any cash and securities hereafter deposited with any Mortgagee (other than any such cash, if any, which is specifically stated herein not to be deemed part of the Mortgaged Property), being herein collectively called the "Mortgaged Property") unto the Mortgagees and the respective assigns of the Mortgagees forever, to secure equally and ratably the payment of the principal of (and premium, if any) and interest on the Notes, according to their terms, without preference, priority or distinction as to interest or principal (except as otherwise specifically provided herein) or as to lien or otherwise of any Note over any other Note by reason of the priority in time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof, or otherwise, and to secure the due performance of all of the covenants, agreements and provisions herein and in the Loan Agreements contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

SUBJECT, HOWEVER, to Permitted Encumbrances (as defined in Section 1.01).

ARTICLE I

DEFINITIONS & OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions.

In addition to the terms defined elsewhere in this Mortgage, the terms defined in this Article I shall have the meanings specified herein and under the UCC, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Accounting Requirements shall mean the requirements of any system of accounts prescribed by RUS so long as the Government is the holder, insurer or guarantor of any Notes, or, in the absence thereof, the requirements of generally accepted accounting principles applicable to businesses similar to that of the Mortgagor.

Additional Notes shall mean any Government Notes issued by the Mortgagor to the Government or guaranteed or insured as to payment by the Government and any Notes issued by the Mortgagor to any other lender, in either case pursuant to Article II of this Mortgage, including any refunding, renewal, or substitute Notes or Government Notes which may from time to time be executed and delivered by the Mortgagor pursuant to the terms of Article II.

Board shall mean either the Board of Directors or the Board of Trustees, as the case may be, of the Mortgagor.

Business Day shall mean any day that the Government is open for business.

Debt Service Coverage Ratio ("DSC") shall mean the ratio determined as follows: for each calendar year add

- (i) Patronage Capital or Margins of the Mortgagor,
- (ii) Interest Expense on Total Long Term Debt of the Mortgagor (as computed in accordance with the principles set forth in the definition of TIER) and
- (iii) Depreciation and Amortization Expense of the Mortgagor, and divide the total so obtained by an amount equal to the sum of all payments of principal and interest required to be made on account of Total Long-Term Debt during such calendar year increasing said sum by any addition to interest expense on account of Restricted Rentals as computed with respect to the Times Interest Earned Ratio herein.

Depreciation and Amortization Expense shall mean an amount constituting the depreciation and amortization of the Mortgagor as computed pursuant to Accounting Requirements.

Electric System shall mean, and shall be broadly construed to encompass and include, all of the Mortgagor's interests in all electric production, transmission, distribution, conservation, load management, general plant and other related facilities, equipment or property and in any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, fabrication or processing of fossil, nuclear or other fuel of any kind or in any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the Mortgagor's generating plants, now existing or hereafter acquired by lease, contract, purchase or otherwise or constructed by the Mortgagor, including any interest or participation of the Mortgagor in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to such Electric System or any part thereof hereafter made and together with all lands, easements and rights-of-way of the Mortgagor and all other works, property or structures of the Mortgagor and contract rights and other tangible and intangible assets of the Mortgagor used or useful in connection with or related to such Electric System, including without limitation a contract right or other contractual arrangement referred to in Granting Clause First, Subclause C, but excluding any Excepted Property.

Environmental Law and Environmental Laws shall mean all federal, state, and local laws, regulations, and requirements related to protection of human health or the environment, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.), the Clean Water Act (33 U.S.C. 1251 et seq.) and the Clean Air Act (42 U.S.C. 7401 et seq.), and any amendments and implementing regulations of such acts.

Equity shall mean the total margins and equities computed pursuant to Accounting Requirements, but excluding any Regulatory Created Assets.

Event of Default shall have the meaning specified in Section 4.01 hereof.

Excepted Property shall have the meaning stated in the Granting Clauses.

Government shall mean the United States of America acting by and through the Administrator of RUS or REA and shall include its successors and assigns.

Government Notes shall mean the Original Notes, and any Additional Notes, issued by the Mortgagor to the Government, or guaranteed or insured as to payment by the Government.

Independent shall mean when used with respect to any specified person or entity means such a person or entity who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Mortgagor or in any affiliate of the Mortgagor and (3) is not connected with the Mortgagor as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

Interest Expense shall mean an amount constituting the interest expense of the Mortgagor as computed pursuant to Accounting Requirements.

Lien shall mean any statutory or common law or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the UCC.

Loan Agreement shall mean any agreement executed by and between the Mortgagor and the Government or any other lender in connection with the execution and delivery of any Notes secured hereby.

Long-Term Debt shall mean any amount included in Total Long-Term Debt pursuant to Accounting Requirements.

Long-Term Lease shall mean a lease having an unexpired term (taking into account terms of renewal at the option of the lessor, whether or not such lease has previously been renewed) of more than 12 months.

Margins shall mean the sum of amounts recorded as operating margins and non-operating margins as computed in accordance with Accounting Requirements.

Maximum Debt Limit, if any, shall mean the amount more particularly described in Schedule "A" hereof.

Mortgage shall mean this Restated Mortgage and Security Agreement, including any amendments or supplements thereto from time to time.

Mortgaged Property shall have the meaning specified as stated in the Habendum to the Granting Clauses.

Mortgagee or Mortgagees shall mean the parties identified in the first paragraph of this instrument as the Mortgagees, as well as any and all other entities that become a Mortgagee pursuant to Article II of this Mortgage by entering into a supplemental mortgage in accordance with Section 2.04 of Article II hereof. The term also includes in all cases the successors and assigns of any Mortgagee.

Net Utility Plant shall mean the amount constituting the total utility plant of the Mortgagor less depreciation computed in accordance with Accounting Requirements.

Note or Notes shall mean one or more of the Government Notes, and any other Notes which may, from time to time, be secured under this Mortgage.

Noteholder or Noteholders shall mean one or more of the holders of Notes secured by this Mortgage; PROVIDED, however, that in the case of any Notes that have been guaranteed or insured as to payment by the Government, as to such Notes, Noteholder or Noteholders shall mean the Government, exclusively, regardless of whether such Notes are in the possession of the Government.

Original Mortgage means the instrument(s) identified as such in Schedule "A" hereof.

Original Notes shall mean the Notes listed on Schedule "A" hereto as such, such Notes being instruments evidencing outstanding indebtedness of the Mortgagor (i) to the Government (including indebtedness which has been issued by the Mortgagor to a third party and guaranteed or insured as to payment by the Government) and (ii) to each other Mortgagee on the date of this Mortgage.

Outstanding Notes shall mean as of the date of determination, (i) all Notes theretofore issued, executed and delivered to any Mortgagee and (ii) any Notes guaranteed or insured as to payment by the Government, except (a) Notes referred to in clause (i) or (ii) for which the principal and interest have been fully paid and which have been canceled by the Noteholder, and (b) Notes the payment for which has been provided for pursuant to Section 5.03.

Permitted Debt shall have the meaning specified in Section 3.08.

Permitted Encumbrances shall mean:

- (1) as to the property specifically described in Granting Clause First, the restrictions, exceptions, reservations, conditions, limitations, interests and other matters which are set forth or referred to in such descriptions and each of which fits one or more of the clauses of this definition, PROVIDED, such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;
- (2) liens for taxes, assessments and other governmental charges which are not delinquent;
- (3) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (4) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (5) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (6) easements and similar rights granted by the Mortgagor over or in respect of any Mortgaged Property, PROVIDED that in the opinion of the Board or a duly authorized officer of the Mortgagor such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagees, and similar rights granted by any predecessor in title of the Mortgagor;
- (7) easements, leases, reservations or other rights of others in any property of the Mortgagor for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar

purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against pollution and zoning laws and minor defects and irregularities in the record evidence of title, PROVIDED that such easements, leases, reservations, rights, restrictions, laws, defects and irregularities do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;

- (8) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (7) of this definition, securing indebtedness neither created, assumed nor guaranteed by the Mortgagor nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;
- (9) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagees in writing and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;
- (10) terminable or short term leases or permits for occupancy, which leases or permits expressly grant to the Mortgagor the right to terminate them at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;
- (11) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (12) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
- (13) the burdens of any law or governmental regulation or permit requiring the Mortgagor to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public lands or any river or stream or navigable waters;
- (14) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes, PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or are to be used, or PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;
- (15) rights reserved to, or vested in, any municipality or governmental or other public authority to control or regulate any property of the Mortgagor, or to use such property in any manner, which rights do not materially impair the use of such property, for the purposes for which it is held by the Mortgagor;
- (16) any obligations or duties, affecting the property of the Mortgagor, to any municipality or governmental or other public authority with respect to any franchise, grant, license or permit;
- (17) any right which any municipal or governmental authority may have by virtue of any franchise, license, contract or statute to purchase, or designate a purchaser of or order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor or to terminate any franchise, license or other rights or to regulate the property and business of the Mortgagor; PROVIDED, HOWEVER, that nothing in this clause 17 is intended to waive any claim or rights that the Government may otherwise have under Federal laws;

- (18) as to properties of other operating electric companies acquired after the date of this Mortgage by the Mortgagor as permitted by Section 3.10 hereof, reservations and other matters as to which such properties may be subject as more fully set forth in such Section;
- (19) any lien required by law or governmental regulations as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements; PROVIDED, HOWEVER, that nothing in this clause 19 is intended to waive any claim or rights that the Government may otherwise have under Federal laws;
- (20) liens arising out of any defaced mortgage or indenture of the Mortgagor;
- (21) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor as well as the rights of such owners to such property pursuant to the ownership contracts;
- (22) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (23) purchase money mortgages permitted by Section 3.08;
- (24) the Original Mortgage;
- (25) this Mortgage.

Property Additions shall mean Utility System property as to which the Mortgagor shall provide Title Evidence and which shall be (or, if retired, shall have been) subject to the lien of this Mortgage, which shall be properly chargeable to the Mortgagor's utility plant accounts under Accounting Requirements (including property constructed or acquired to replace retired property credited to such accounts) and which shall be:

- (1) acquired (including acquisition by merger, consolidation, conveyance or transfer) or constructed by the Mortgagor after the date hereof, including property in the process of construction, insofar as not reflected on the books of the Mortgagor with respect to periods on or prior to the date hereof, and
- (2) used or useful in the utility business of the Mortgagor conducted with the properties described in the Granting Clauses of this Mortgage, even though separate from and not physically connected with such properties.

"Property Additions" shall also include:

- (3) easements and rights-of-way that are useful for the conduct of the utility business of the Mortgagor, and
- (4) property located or constructed on, over or under public highways, rivers or other public property if the Mortgagor has the lawful right under permits, licenses or franchises granted by a governmental body having jurisdiction in the premises or by the law of the State in which such property is located to maintain and operate such property for an unlimited, indeterminate or indefinite period or for the period, if any, specified in such permit, license or franchise or law and to remove such property at the expiration of the period covered by such permit, license or franchise or law, or if the terms of such permit, license, franchise or law require any public authority having the right to take over such property to pay fair consideration therefor.

"Property Additions" shall NOT include:

- (a) good will, going concern value, contracts, agreements, franchises, licenses or permits, whether acquired as such, separate and distinct from the property operated in connection therewith, or acquired as an incident thereto, or
- (b) any shares of stock or indebtedness or certificates or evidences of interest therein or other securities, or
- (c) any plant or system or other property in which the Mortgagor shall acquire only a leasehold interest, or any betterments, extensions, improvements or additions (other than inovable physical personal property which the Mortgagor has the right to remove), of, upon or to any plant or system or other property in which the Mortgagor shall own only a leasehold interest unless (i) the term of the leasehold interest in the property to which such betterment, extension, improvement or addition relates shall extend for at least 75% of the useful life of such betterment, extension, improvement or addition and (ii) the lessor shall have agreed to give the Mortgagee reasonable notice and opportunity to cure any default by the Mortgagor under such lease and not to disturb any Mortgagee's possession of such leasehold estate in the event any Mortgagee succeeds to the Mortgagor's interest in such lease upon any Mortgagee's exercise of any remedies under this Mortgage so long as there is no default in the performance of the tenant's covenants contained therein, or
- (d) any property of the Mortgagor subject to the Permitted Encumbrance described in clause (23) of the definition thereof.

Prudent Utility Practice shall mean any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety and expedition.

REA shall mean the Rural Electrification Administration of the United States Department of Agriculture, the predecessor of RUS.

Regulatory Created Assets shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets, pursuant to Accounting Requirements.

Restricted Rentals shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of 3 years and covering property having an initial cost in excess of \$250,000 other than aircraft, ships, barges, automobiles, trucks, trailers, rolling stock and vehicles; office, garage and warehouse space; office equipment and computers.

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

Security Interest shall mean any assignment, transfer, mortgage, hypothecation or pledge.

Subordinated Indebtedness shall mean secured indebtedness of the Mortgagor, payment of which shall be subordinated to the prior payment of the Notes in accordance with the provisions of Section 3.08 hereof by subordination agreement in form and substance satisfactory to each Mortgagee which approval will not be unreasonably withheld.

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

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

Title Evidence shall mean with respect to any real property:

- (1) an opinion of counsel to the effect that the Mortgagor has title, whether fairly deducible of record or based upon prescriptive rights (or, as to personal property, based on such evidence as counsel shall determine to be sufficient), as in the opinion of counsel is satisfactory for the use thereof in connection with the operations of the Mortgagor, and counsel in giving such opinion may disregard any irregularity or deficiency in the record evidence of title which, in the opinion of such counsel, can be cured by proceedings within the power of the Mortgagor or does not substantially impair the usefulness of such property for the purpose of the Mortgagor and may base such opinion upon counsel's own investigation or upon affidavits, certificates, abstracts of title, statements or investigations made by persons in whom such counsel has confidence or upon examination of a certificate or guaranty of title or policy of title insurance in which counsel has confidence; or
- (2) a mortgagee's policy of title insurance in the amount of the cost to the Mortgagor of the land included in Property Additions, as such cost is determined by the Mortgagor in accordance with the Accounting Requirements, issued in favor of the Mortgagees by an entity authorized to insure title in the states where the subject property is located, showing the Mortgagor as the owner of the subject property and insuring the lien of this Mortgage; and with respect to any personal property a certificate of the general manager or other duly authorized officer that the Mortgagor lawfully owns and is possessed of such property.

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

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

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

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

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

Section 1.02. General Rules of Construction:

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

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

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

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

Section 1.04. Governing Law:

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

Section 1.05. Notices:

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

ARTICLE II

ADDITIONAL NOTES

Section 2.01. Additional Notes:

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

greater than or equal to 27 percent of Total Assets on a pro forma basis;
and

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

- (2) No Event of Default has occurred and is continuing hereunder, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing.
- (3) The Eligible Property Additions being constructed, acquired, procured or replaced are part of the Mortgagor's Utility System.
- (4) The Mortgagor's general manager or other duly authorized officer shall send to each of the Mortgagees a certificate in substantially the form attached hereto as Exhibit A on or before the date of the first advance of proceeds from such Additional Notes.

(b) For purposes of this section:

- (1) "Eligible Property Additions" shall mean Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of the Additional Notes and Property Additions acquired or whose construction is started and/or completed not more than 4 years after issuance of the Additional Notes, but shall exclude any Property Additions financed by any other debt secured under the Mortgage at the time additional Notes are issued;
- (2) Notes are considered to be "issued" on, and the date of "issuance" shall be, the date on which they are executed by the Mortgagor; and
- (3) For purposes of calculating the pro forma ratios in subparagraphs (a)(1)(ii) and (iii), the values for Total Long Term Debt and Total Assets before debt issuance and the values for Equity and Net Utility Plant shall be the most recently available end-of-month figures preceding the issuance of the Additional Notes, but in no case for a month ending more than 180 days preceding such issuance.

Section 2.02. Refunding or Refinancing Notes:

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

Section 2.03. Other Additional Notes:

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

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

Without the prior consent of any Mortgagee or any Noteholder, each new lender designated as a payee in any Additional Notes issued by the Mortgagor pursuant to Section 2.01 or 2.02 of this Mortgage shall become a Mortgagee hereunder upon the execution and delivery by the Mortgagor and such lender of a supplemental mortgage hereto designating such lender as a Mortgagee hereunder. Such new lender shall be entitled to the benefits of this Mortgage without further act or deed. Each Mortgagee and each person or entity that becomes a lender pursuant to Section 2.01 or 2.02 of this Mortgage shall, upon the request of the Mortgagor to do so, execute and deliver a supplement to this Mortgage in substantially the form set forth in Section 2.05 to evidence the addition of such new lender as an additional Mortgagee entitled to the benefits of this Mortgage. The failure of any existing Mortgagee to enter into such supplemental mortgage shall not deprive the new lender of its rights under this Mortgage; provided that such additional indebtedness otherwise conforms in all respects with the requirements for issuing Additional Notes under this Mortgage.

Section 2.05. Form of Supplemental Mortgage:

- (a) The form of supplemental mortgage referred to in Section 2.04 is attached to this Mortgage as Exhibit B and hereby incorporated by reference as if set forth in full at this point.
- (b) In the event that the Mortgagor subsequently issues Additional Notes pursuant to Sections 2.01 or 2.02 to any existing Mortgagee and that Mortgagee desires further assurance that such Additional Notes will be secured by the lien of the Mortgage, an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may be used.
- (c) In the event that the Mortgagor issues Additional Notes pursuant to Section 2.03 to either an existing Mortgagee or a new lender, in either case with the prior written consent of each Mortgagee, then an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may also be used.

ARTICLE III

PARTICULAR COVENANTS OF THE MORTGAGOR

Section 3.01. Payment of Debt Service on Notes:

The Mortgagor will duly and punctually pay the principal, premium, if any, and interest on the Notes in accordance with the terms of the Notes, the Loan Agreements, this Mortgage and any Supplemental Mortgage authorizing such Notes.

Section 3.02. Warranty of Title:

- (a) At the time of the execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the real property specifically described in Granting Clause First as owned in fee and good and marketable title to the interests in real property specifically described in Granting Clause First, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to grant, bargain, sell, alien, remise, release, convey, assign, transfer, encumber, mortgage, pledge, set over and confirm said real property and interests in real property in the manner and form aforesaid.
- (b) At the time of the execution and delivery of this instrument, the Mortgagor lawfully owns and is possessed of the personal property specifically described in Granting Clauses First through Seventh, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to mortgage, assign, transfer, deliver,

pledge and grant a continuing security interest in said property and, including any proceeds thereof, in the manner and form aforesaid.

- (c) The Mortgagor hereby does and will forever warrant and defend the title to the property specifically described in Granting Clause First against the claims and demands of all persons whomsoever, except Permitted Encumbrances.

Section 3.03. After-Acquired Property; Further Assurances; Recording:

- (a) All property of every kind, other than Excepted Property, acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance or assignment, become subject to the lien of this Mortgage; SUBJECT, HOWEVER, to Permitted Encumbrances and the exceptions, if any, to which all of the Mortgagees consent. Nevertheless, the Mortgagor will do, execute, acknowledge and deliver all and every such further acts, conveyances, mortgages, financing statements and assurances as any Mortgagee shall require for accomplishing the purposes of this Mortgage, including, but not limited to, at the request of any Mortgagee, taking such actions and executing and delivering such documents as are necessary under the Uniform Commercial Code or other applicable law to perfect or establish the Mortgagees' first priority security interests in any Mortgaged Property to the extent that such perfection or priority cannot be accomplished by the filing of a financing statement.
- (b) The Mortgagor will cause this Mortgage and all Supplemental Mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and in such places as may be required by law fully to preserve and protect the rights of all of the Mortgagees and Noteholders hereunder to all property comprising the Mortgaged Property. The Mortgagor will furnish to each Mortgagee:
 - (1) promptly after the execution and delivery of this instrument and of each Supplemental Mortgage or other instrument of further assurance, an Opinion of Counsel stating that, in the opinion of such Counsel, this instrument and all such Supplemental Mortgages and other instruments of further assurance have been properly recorded, registered and filed to the extent necessary to make effective the lien intended to be created by this Mortgage, and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to make the lien effective; and
 - (2) during the month of January in each year following the first anniversary of the date of this Mortgage, an Opinion of Counsel, dated on or about the date of delivery, either stating that, in the opinion of such Counsel, such action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of this instrument and of all Supplemental Mortgages, financing statements, continuation statements or other instruments of further assurances as is necessary to maintain the lien of this Mortgage (including the lien on any property acquired by the Mortgagor after the execution and delivery of this instrument and owned by the Mortgagor at the end of preceding calendar year) and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary to fully preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to maintain such lien.

Section 3.04. Environmental Requirements and Indemnity:

- (a) The Mortgagor shall, with respect to all facilities which may be part of the Mortgaged Property, comply with all Environmental Laws.
- (b) The Mortgagor shall defend, indemnify, and hold harmless each Mortgagee, its successors and assigns, from and against any and all liabilities, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), causes of actions, administrative proceedings, suits, claims, demands, or judgments of any nature arising out of or in connection with any matter related to the Mortgage Property and any Environmental Law, including but not limited to:
 - (1) the past, present, or future presence of any hazardous substance, contaminant, pollutant, or hazardous waste on or related to the Mortgaged Property;
 - (2) any failure at any time by the undersigned to comply with the terms of any order related to the Mortgaged Property and issued by any Federal, state, or municipal department or agency (other than RUS) exercising its authority to enforce any Environmental Law; and
 - (3) any lien or claim imposed under any Environmental Law related to clause (1).
- (c) Within 10 (ten) business days after receiving knowledge of any liability, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), cause of action, administrative proceeding, suit, claim, demand, judgment, lien, reportable event including but not limited to the release of a hazardous substance, or potential or actual violation or non-compliance arising out of or in connection with the Mortgaged Property and any Environmental Law, the Mortgagor shall provide each Mortgagee with written notice of such matter. With respect to any matter upon which it has provided such notice, the Mortgagor shall immediately take any and all appropriate actions to remedy, cure, defend, or otherwise affirmatively respond to the matter.

Section 3.05. Payment of Taxes:

The Mortgagor will pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Mortgaged Property or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Noteholders or of the Mortgagees in the Mortgaged Property, so that (to the extent aforesaid) the lien of this Mortgage shall at all times be wholly preserved at the cost of the Mortgagor and without expense to the Mortgagees or the Noteholders; PROVIDED, HOWEVER, that the Mortgagor shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the Mortgagor shall have established and shall maintain adequate reserves on its books for the payment of the same.

Section 3.06. Authority to Execute and Deliver Notes, Loan Agreements and Mortgage; All Action Taken; Enforceable Obligations:

The Mortgagor is authorized under its articles of incorporation and bylaws (or code of regulations) and all applicable laws and by corporate action to execute and deliver the Notes, any Additional Notes, the Loan Agreements and this Mortgage. The Notes, the Loan Agreements and this Mortgage are, and any Additional Notes and Loan Agreements when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

Section 3.07. Restrictions on Further Encumbrances on Property:

Except to secure Additional Notes, the Mortgagor will not, without the prior written consent of each Mortgagee, create or incur or suffer or permit to be created or incurred or to exist any Lien,

charge, assignment, pledge or mortgage on any of the Mortgaged Property inferior to, prior to, or on a parity with the Lien of this Mortgage except for the Permitted Encumbrances. Subject to the provisions of Section 3.08, or unless approved by each of the Mortgagees, the Mortgagor will purchase all materials, equipment and replacements to be incorporated in or used in connection with the Mortgaged Property outright and not subject to any conditional sales agreement, chattel mortgage, bailment, lease or other agreement reserving to the seller any right, title or Lien.

Section 3.08. Restrictions On Additional Permitted Debt:

The Mortgagor shall not incur, assume, guarantee or otherwise become liable in respect of any debt for borrowed money and Restricted Rentals (including Subordinated Debt) other than the following: ("Permitted Debt")

- (1) Additional Notes issued in compliance with Article II hereof;
- (2) Purchase money indebtedness in non-Utility System property, in an amount not exceeding 10% of Net Utility Plant;
- (3) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (4) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;
- (5) Unsecured indebtedness for borrowed money;
- (6) Debt represented by dividends declared but not paid; and
- (7) Subordinated Indebtedness approved by each Mortgagee.

PROVIDED, However, that the Mortgagor may incur Permitted Debt without the consent of the Mortgagee only so long as there exists no Event of Default hereunder and there has been no continuing occurrence which with the passage of time and giving of notice could become an Event of Default hereunder.

PROVIDED, FURTHER, by executing this Mortgage any consent of RUS that the Mortgagor would otherwise be required to obtain under this Section is hereby deemed to be given or waived by RUS by operation of law to the extent, but only to the extent, that to impose such a requirement of RUS consent would clearly violate existing Federal laws or government regulations.

Section 3.09. Preservation of Corporate Existence and Franchises:

The Mortgagor will, so long as any Outstanding Notes exist, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits, and licenses now or hereafter to be granted or upon it conferred the loss of which would have a material adverse affect on the Mortgagor's financial condition or business. The Mortgagor will comply with all laws, ordinances, regulations, orders, decrees and other legal requirements applicable to it or its property the violation of which could have a material adverse affect on the Mortgagor's financial condition or business.

Section 3.10. Limitations on Consolidations and Mergers:

The Mortgagor shall not, without the prior written approval of each Mortgagee, consolidate or merge with any other corporation or convey or transfer the Mortgaged Property substantially as an entirety unless:

- (1) such consolidation, merger, conveyance or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Mortgagees hereunder;
- (2) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall execute and deliver to the Mortgagees a mortgage

supplemental hereto in recordable form and containing an assumption by such successor entity of the due and punctual payment of the principal of and interest on all of the Outstanding Notes and the performance and observance of every covenant and condition of this Mortgage;

- (3) immediately after giving effect to such transaction, no default hereunder shall have occurred and be continuing;
- (4) the Mortgagor shall have delivered to the Mortgagees a certificate of its general manager or other officer, in form and substance satisfactory to each of the Mortgagees, which shall state that such consolidation, merger, conveyance or transfer and such supplemental mortgage comply with this subsection and that all conditions precedent herein provided for relating to such transaction have been complied with;
- (5) the Mortgagor shall have delivered to the Mortgagees an opinion of counsel in form and substance satisfactory to each of the Mortgagees; and
- (6) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall be an entity -
 - (A) having Equity equal to at least 27% of its Total Assets on a pro forma basis after giving effect to such transaction,
 - (B) having a pro forma TIER of not less than 1.25 and a pro forma DSC of not less than 1.25 for each of the two preceding calendar years, and
 - (C) having Net Utility Plant equal to or greater than 1.0 times its Total Long-Term Debt on a pro forma basis. Upon any consolidation or merger or any conveyance or transfer of the Mortgaged Property substantially as an entirety in accordance with this subsection, the successor entity formed by such consolidation or with which the Mortgagor is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Mortgagor under this Mortgage with the same effect as if such successor entity had been named as the Mortgagor herein.

Section 3.11. Limitations on Transfers of Property:

The Mortgagor may not, except as provided in Section 3.10 above, without the prior written approval of each Mortgagee, sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor), unless

- (1) there exists no Event of Default or occurrence which with the passing of time and the giving of notice would be an Event of Default,
- (2) fair market value is obtained for such property,
- (3) the aggregate value of assets so sold, leased or transferred in any 12-month period is less than 10% of Net Utility Plant, and
- (4) the proceeds of such sale, lease or transfer, less ordinary and reasonable expenses incident to such transaction, are immediately
 1. applied as a prepayment of all Notes equally and ratably,
 - in the case of dispositions of equipment, materials or scrap, applied to the purchase of other property useful in the Mortgagor's utility business, not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the Lien of the Mortgage, or
 - applied to the acquisition or construction of utility plant.

Section 3.12. Maintenance of Mortgaged Property:

- (a) So long as the Mortgagor holds title to the Mortgaged Property, the Mortgagor will at all times maintain and preserve the Mortgaged Property which is used or useful in the Mortgagor's business and each and every part and parcel thereof in good repair, working order and condition, ordinary wear and tear and acts of God excepted, and in compliance with Prudent Utility Practice and in compliance with all applicable laws, regulations and orders, and will from time to time make all needed and proper repairs, renewals and replacements, and useful and proper alterations, additions, betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times use all reasonable diligence to furnish the consumers served by it through the Mortgaged Property, or any part thereof, with an adequate supply of electric power and energy. If any substantial part of the Mortgaged Property is leased by the Mortgagor to any other party, the lease agreement between the Mortgagor and the lessee shall obligate the lessee to comply with the provisions of subsections (a) and (b) of this Section in respect of the leased facilities and to permit the Mortgagor to operate the leased facilities in the event of any failure by the lessee to so comply.
- (b) If in the sole judgment of any Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this section, such Mortgagee may send to the Mortgagor a written report of needed improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such improvements.
- (c) The Mortgagor further agrees that upon reasonable written request of any Mortgagee, which request together with the requests of any other Mortgagees shall be made no more frequently than once every three years, the Mortgagor will supply promptly to each Mortgagee a certification (hereinafter called the "Engineer's Certification"), in form satisfactory to the requestor, prepared by a professional engineer, who shall be satisfactory to the Mortgagees, as to the condition of the Mortgaged Property. If in the sole judgment of any Mortgagee the Engineer's Certification discloses the need for improvements to the condition of the Mortgaged Property or any other operations of the Mortgagor, such Mortgagee may send to the Mortgagor a written report of such improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such of these improvements as are required by such Mortgagee.

Section 3.13. Insurance; Restoration of Damaged Mortgaged Property:

- (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the classes and amounts of insurance in conformance with generally accepted utility industry standards for such classes and amounts of coverages of utilities of the size and character of the Mortgagor and consistent with Prudent Utility Practice.
- (b) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities having jurisdiction, and, with respect to insurance upon any part of the Mortgaged Property, shall provide that the insurance shall be payable to the Mortgagees as their interests may appear by means of the standard mortgagee clause without contribution. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to each Mortgagee of cancellation.
- (c) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which is used or useful in the Mortgagor's business and which shall be covered by insurance, unless each Mortgagee shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that such Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall apply the proceeds of the insurance for that purpose. The Mortgagor shall replace the lost portion of such Mortgaged Property or shall commence such restoration

promptly after such damage, destruction or loss shall have occurred and shall complete such replacement or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith.

- (d) Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by any Mortgagee or any Noteholder for any loss under such policy or bond shall, unless applied as provided in the preceding paragraph, be used to finance construction of utility plant secured or to be secured by this Mortgage, or unless otherwise directed by the Mortgagees, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such Notes and installments thereof as may be designated by the respective Mortgagee at the time of any such prepayment), or be used to construct or acquire utility plant which will become part of the Mortgaged Property. At the request of any Mortgagee, the Mortgagor shall exercise such rights and remedies which they may have under such policy or fidelity bond and which may be designated by such Mortgagee, and the Mortgagor hereby irrevocably appoints each Mortgagee as its agent to exercise such rights and remedies under such policy or bond as such Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

Section 3.14. Mortgagee Right to Expend Money to Protect Mortgaged Property:

The Mortgagor agrees that any Mortgagee from time to time hereunder may, in its sole discretion, after having given 5 Business Days prior written notice to the Mortgagor, but shall not be obligated to, advance funds on behalf of the Mortgagor, in order to insure the Mortgagor's compliance with any covenant, warranty, representation or agreement of the Mortgagor made in or pursuant to this Mortgage or any of the Loan Agreements, to preserve or protect any right or interest of the Mortgagees in the Mortgaged Property or under or pursuant to this Mortgage or any of the Loan Agreements, including without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Mortgaged Property or other property or assets of the Mortgagor; provided, however, that the making of any such advance by or through any Mortgagee shall not constitute a waiver by any Mortgagee of any Event of Default with respect to which such advance is made nor relieve the Mortgagor of any such Event of Default. The Mortgagor shall pay to a Mortgagee upon demand all such advances made by such Mortgagee with interest thereon at a rate equal to that on the Note having the highest interest rate but in no event shall such rate be in excess of the maximum rate permitted by applicable law. All such advances shall be included in the obligations and secured by the security interest granted hereunder.

Section 3.15. Time Extensions for Payment of Notes:

Any Mortgagee may, at any time or times in succession without notice to or the consent of the Mortgagor, or any other Mortgagee, and upon such terms as such Mortgagee may prescribe, grant to any person, firm or corporation who shall have become obligated to pay all or any part of the principal of (and premium, if any) or interest on any Note held by or indebtedness owed to such Mortgagee or who may be affected by the lien hereby created, an extension of the time for the payment of such principal, (and premium, if any) or interest, and after any such extension the Mortgagor will remain liable for the payment of such Note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

Section 3.16. Application of Proceeds from Condemnation:

- (a) In the event that the Mortgaged Property or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom may be used to finance construction of utility plant secured or to be secured by this Mortgage. Any proceeds not so used shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness secured by this Mortgage other than principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and be

unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes, to such installments thereof as may be designated by the respective Mortgagee at the time of any such payment; and fourth, the balance shall be paid to whomsoever shall be entitled thereto.

(b) If any part of the Mortgaged Property shall be taken by eminent domain, each Mortgagee shall release the property so taken from the Mortgaged Property and shall be fully protected in so doing upon being furnished with:

- (1) A certificate of a duly authorized officer of the Mortgagor requesting such release, describing the property to be released and stating that such property has been taken by eminent domain and that all conditions precedent herein provided or relating to such release have been complied with; and
- (2) an opinion of counsel to the effect that such property has been lawfully taken by exercise of the right of eminent domain, that the award for such property so taken has become final and that all conditions precedent herein provided for relating to such release have been complied with.

Section 3.17. Compliance with Loan Agreements; Notice of Amendments to and Defaults under Loan Agreements:

The Mortgagor will observe and perform all of the material covenants, agreements, terms and conditions contained in any Loan Agreement entered into in connection with the issuance of any of the Notes, as from time to time amended. The Mortgagor will send promptly to each Mortgagee notice of any default by the Mortgagor under any Loan Agreement and notice of any amendment to any Loan Agreement. Upon request of any Mortgagee, the Mortgagor will furnish to such Mortgagee single copies of such Loan Agreements and amendments thereto as such Mortgagee may request.

Section 3.18. Rights of Way, etc., Necessary in Business:

The Mortgagor will use its best efforts to obtain all such rights of way, easements from landowners and releases from lienors as shall be necessary or advisable in the conduct of its business, and, if requested by any Mortgagee, deliver to such Mortgagee evidence satisfactory to such Mortgagee of the obtaining of such rights of way, easements or releases.

Section 3.19. Limitations on Providing Free Electric Services:

The Mortgagor will not furnish or supply or cause to be furnished or supplied any electric power, energy or capacity free of charge to any person, firm or corporation, public or private, and the Mortgagor will enforce the payment of any and all amounts owing to the Mortgagor by reason of the ownership and operation of the Utility System by discontinuing such use, output, capacity, or service, or by filing suit therefor within 90 days after any such accounts are due, or by both such discontinuance and by filing suit.

Section 3.20. Keeping Books; Inspection by Mortgagee:

The Mortgagor will keep proper books, records and accounts, in which full and correct entries shall be made of all dealings or transactions of or in relation to the Notes and the Utility System, properties, business and affairs of the Mortgagor in accordance with the Accounting Requirements. The Mortgagor will at any and all times, upon the written request of any Mortgagee and at the expense of the Mortgagor, permit such Mortgagee by its representatives to inspect the Utility System and properties, books of account, records, reports and other papers of the Mortgagor and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the Mortgagor will furnish to each Mortgagee any and all such information as such Mortgagee may request, with respect to the performance by the Mortgagor of its covenants under this Mortgage, the Notes and the Loan Agreements.

Section 3.21. Maximum Debt Limit:

The Notes at any one time secured by this Mortgage shall not in the aggregate principal amount exceed the Maximum Debt Limit.

Section 3.22. Authorization to File Financing Statements:

The Mortgagor hereby irrevocably authorizes the Mortgagee at any time and from time to time to file in any jurisdiction any initial financing statements and amendments thereto that:

- (a) Indicate the Mortgaged Property (i) as all assets of the Mortgagor or words of similar effect, regardless of whether any particular asset comprised in the Mortgaged Property falls within the scope of Article 9 of the applicable UCC, or (ii) as being of an equal or lesser scope or with greater detail, and
- (b) Contain any other information required by the applicable UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including, but not limited to (i) whether the Mortgagor is an organization, the type of organization and any organizational identification number issued to the Mortgagor, and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Mortgaged Property relates. The Mortgagor agrees to furnish any such information to the Mortgagee promptly upon request. The Mortgagor also ratifies its authorization for the Mortgagee to have filed in any UCC jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

Section 4.01. Events of Default:

Each of the following shall be an "Event of Default" under this Mortgage:

- (a) default shall be made in the payment of any installment of or on account of interest on or principal of (or premium, if any associated with) any Note or Notes for more than five (5) Business Days after the same shall be required to be made;
- (b) default shall be made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor, in any of the Notes, Loan Agreements or in this Mortgage, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder shall have been given to the Mortgagor by any Mortgagee; PROVIDED, HOWEVER that in the case of a default on the terms of a Note or Loan Agreement of a particular Mortgagee, the "Notice of Default" required under this paragraph may only be given by that Mortgagee;
- (c) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within sixty (60) days after the institution thereof;
- (d) a receiver or liquidator of the Mortgagor or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within sixty (60) days after the entry thereof;
- (e) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits, easements, or licenses required to carry on any material portion of its business;

- (f) a final judgment for an amount of more than \$25,000 shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of sixty (60) days; or,
- (g) any material representation or warranty made by the Mortgagor herein, in the Loan Agreements or in any certificate or financial statement delivered hereunder or thereunder shall prove to be false or misleading in any material respect at the time made.

Section 4.02. Acceleration of Maturity; Rescission and Annulment:

- (a) If an Event of Default described in Section 4.01(a) has occurred and is continuing, any Mortgagee upon which such default has occurred may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (b) If any other Event of Default shall have occurred and be continuing, any Mortgagee may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (c) Upon receipt of actual knowledge of or any notice of acceleration by any Mortgagee, any other Mortgagee may declare the principal of all of its Notes to be due and payable immediately by a notice in writing to the Mortgagor and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes or Loan Agreements to the contrary notwithstanding.
- (d) If after the unpaid principal of (and premium, if any) and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such Note or Notes (other than amounts due as a result of the acceleration of the Notes) shall be paid to the respective Mortgagees, and (i) all other defaults under the Loan Agreements, the Notes and this Mortgage shall have been made good or cured to the satisfaction of the Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding, (ii) proceedings to foreclose the lien of this Mortgage have not been commenced, and (iii) all reasonable expenses paid or incurred by the Mortgagees in connection with the acceleration shall have been paid to the respective Mortgagees, then in every such case such Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding may by written notice to the Mortgagor, for purposes of this Mortgage, annul such declaration and waive such default and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

Section 4.03. Remedies of Mortgagees:

If one or more of the Events of Default shall occur and be continuing, any Mortgagee personally or by attorney, in its or their discretion, may, in so far as not prohibited by law:

- (a) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues, proceeds and profits pertaining to or arising from the Mortgaged Property, or any part thereof, whether then past due or accruing thereafter, and issue binding receipts

therefor; and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable by such Mortgagee in possession;

- (b) proceed to protect and enforce the rights of all of the Mortgagees by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed necessary or advisable to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the Mortgagee instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all proceeds, rents, income, revenues and profits pertaining thereto or arising therefrom, whether then past due or accruing after the appointment of such receiver, derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers in like and similar cases, to the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and
- (c) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction at such place in any county (or its equivalent locality) in which the property to be sold, or any part thereof, is located, at such time and upon such terms as may be specified in a notice of sale, which shall state the time when and the place where the sale is to be held, shall contain a brief general description of the property to be sold, and shall be given by mailing a copy thereof to the Mortgagor at least fifteen (15) days prior to the date fixed for such sale and by publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said locality or, if no such newspaper is published in such locality, in a newspaper of general circulation in such locality, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale to be made under this subparagraph (c) of this Section 4.03 may be adjourned from time to time by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law the notice of sale shall be given or the sale be conducted, as the case may be, in accordance with the applicable provisions of law. The expense incurred by any Mortgagee (including, but not limited to, receiver's fees, counsel fees, cost of advertisement and agents' compensation) in the exercise of any of the remedies provided in this Mortgage shall be secured by this Mortgage.
- (d) In the event that a Mortgagee proceeds to enforce remedies under this Section, any other Mortgagee may join in such proceedings. In the event that the Mortgagees are not in agreement with the method or manner of enforcement chosen by any other Mortgagee, the Mortgagees representing a majority of the aggregate unpaid principal balance on the then outstanding Notes may direct the method and manner in which remedial action will proceed.

Section 4.04. Application of Proceeds from Remedial Actions:

Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied

first, to the ratable payment of indebtedness hereby secured other than the principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes; and the balance, if any, shall be paid to whomsoever shall be entitled thereto.

Section 4.05. Remedies Cumulative; No Election:

Every right or remedy herein conferred upon or reserved to the Mortgagees or to the Noteholders shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.

Section 4.06. Waiver of Appraisal Rights; Marshaling of Assets Not Required:

The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law. Under no circumstances shall there be any marshaling of assets upon any foreclosure or to other enforcement of this Mortgage.

Section 4.07. Notice of Default:

The Mortgagor covenants that it will give immediate written notice to each Mortgagee of the occurrence of any Event of Default or in the event that any right or remedy described in Sections 4.02 and 4.03 hereof is exercised or enforced or any action is taken to exercise or enforce any such right or remedy.

ARTICLE V

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

Section 5.01. Possession Until Default:

Until some one or more of the Events of Default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, proceeds, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

Section 5.02. Defeasance:

If the Mortgagor shall pay or cause to be paid the whole amount of the principal of (and premium, if any) and interest on the Notes at the times and in the manner therein provided, and shall also pay or cause to be paid all other sums payable by the Mortgagor hereunder or under any Loan Agreement and shall keep and perform, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interest hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagee so paid shall thereupon cease, determine and become void and such Mortgagee, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of the Mortgage upon the record. In any event, each Mortgagee, upon payment in full to such Mortgagee by the Mortgagor of all principal of (and premium, if any) and interest on any Note held by such Mortgagee and the payment and discharge by the Mortgagor of all charges due to such Mortgagee hereunder or under any Loan Agreement, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

Section 5.03. Special Defeasance:

Other than any Notes excluded by the foregoing Sections 5.01 and 5.02 and Notes which have become due and payable, the Mortgagor may cause the Lien of this Mortgage to be defeased with respect to any Note for which it has deposited or caused to be deposited in trust solely for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Note for principal (and premium, if any) and interest to the date of maturity thereof; PROVIDED, HOWEVER, that depository serving as trustee for such trust must first be accepted as such by the Mortgagee whose Notes are being defeased under this section. In such event, such a Note will no longer be considered to be an Outstanding Note for purposes of this Mortgage and the Mortgagee shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Property Deemed Real Property:

It is hereby declared to be the intention of the Mortgagor that any electric generating plant or plants and facilities and all electric transmission and distribution lines, or other Electric System or Utility System facilities, embraced in the Mortgaged Property, including (without limitation) all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such plant, lines, facilities or systems, and all other property physically attached to any of the foregoing, shall be deemed to be real property.

Section 6.02. Mortgage to Bind and Benefit Successors and Assigns:

All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be a Mortgagee. The Mortgagor hereby agrees to execute such consents, acknowledgments and other instruments as may be reasonably requested by any Mortgagee in connection with the assignment, transfer, mortgage, hypothecation or pledge of the rights or interests of such Mortgagee hereunder or under the Notes or in and to any of the Mortgaged Property.

Section 6.03. Headings:

The descriptive headings of the various articles and sections of this Mortgage and also the table of contents were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.04. Severability Clause:

In case any provision of this Mortgage or in the Notes or in the Loan Agreements shall be invalid or unenforceable, the validity, legality and enforceability of the remaining provisions thereof shall not in any way be affected or impaired, nor, nor shall any invalidity or unenforceability as to any Mortgagee hereunder affect or impair the rights hereunder of any other Mortgagee.

Section 6.05. Mortgage Deemed Security Agreement:

To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the UCC this Mortgage is hereby deemed a "security agreement" under the UCC, and, if so elected by any Mortgagee, a "financing statement" under the UCC for said security agreement. The mailing addresses of the Mortgagor as debtor, and the Mortgagees as secured parties are as set forth in Schedule "A" hereof. If any Mortgagee so directs the Mortgagor to do so, the Mortgagor shall file as a financing statement under the UCC for said security agreement

and for the benefit of all of the Mortgagees, an instrument other than this Mortgage. In such case, the instrument to be filed shall be in a form customarily accepted by the filing office as a financing statement. PROCEEDS OF COLLATERAL ARE COVERED HEREBY. The Mortgagor is an organization of the type and organized in the jurisdiction set forth on the first page hereof. The cover page hereof accurately sets forth the Mortgagor's organizational identification number or accurately states that the Mortgagor has none.

Section 6.06. Indemnification by Mortgagor of Mortgagees:

The Mortgagor agrees to indemnify and save harmless each Mortgagee against any liability or damages which any of them may incur or sustain in the exercise and performance of their rightful powers and duties hereunder. For such reimbursement and indemnity, each Mortgagee shall be secured under this Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagee incurring or suffering the same with interest at the rate specified in Section 3.14 hereof. The Mortgagor's obligation to indemnify the Mortgagees under this section and under Section 3.04 shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

IN WITNESS WHEREOF, BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION, as Mortgagor, has caused this Restated Mortgage and Security Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, UNITED STATES OF AMERICA, as Mortgagee and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee, have each caused this Restated Mortgage and Security Agreement to be signed in their respective names by duly authorized persons, all as of this day and year first above written.

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

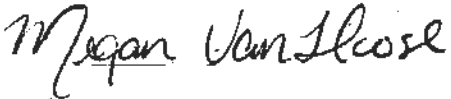
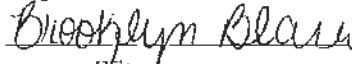
by  , Chairman

(Seal)

Attest: 
Secretary



Executed by the Mortgagor in the presence of:



Witnesses

UNITED STATES OF AMERICA

by



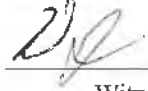
Christopher A. McLean

Assistant Administrator - Electric Program
of the
Rural Utilities Service

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



Constance Uebel



Arnold J. Jeter

Witnesses

DISTRICT OF COLUMBIA

) SS

On this 27th day of October, 2022, personally appeared before me
Christopher A. McLean, who, being duly sworn, did say that he is the Assistant
Administrator - Electric Program of the Rural Utilities Service, an agency of the United States of America, and
acknowledged to me that, acting under a delegation of authority duly given and evidenced by law and presently in
effect, he executed said instrument as the act and deed of the United States of America for the uses and purposes
therein mentioned.

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




Notary Public

SHAWANDA DENNIS

My commission expires: _____

COMMONWEALTH OF KENTUCKY

)

) SS

COUNTY OF

Johnson

)

I, Judy McClure, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that Danny Wallen, personally known to me to be the Chairman of Big Sandy Rural Electric Cooperative Corporation, a corporation of the Commonwealth of Kentucky, and to me known to be the identical person whose name is as Chairman of said corporation, subscribed to the foregoing instrument, appeared before me this day in person and produced the foregoing instrument to me in the County aforesaid and acknowledged that as such Chairman he signed the foregoing instrument pursuant to authority given by the board of directors of said corporation as his free and voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

Given under my hand this 17th day of November, 2022

Judy McClure
Notary Public in and for Johnson
County, Kentucky

(Notarial Seal)

My Commission expires: 6-19-2026

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by



Joyce Germano

Assistant Secretary-Treasurer

(SEAL)

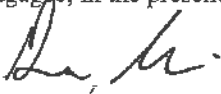
Attest:



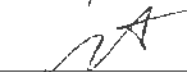
Daniel Jennejohn

Assistant Secretary-Treasurer

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



Gene Morris



Eric Andrews

Witnesses

COMMONWEALTH OF VIRGINIA

)

) SS

COUNTY OF LOUDOUN

)

I, **Renny Joy Manjaly**, a Notary Public in and for the Commonwealth of Virginia, County of Loudoun, do certify that **Joyce Germano**, whose name is signed to the writing above, bearing date on the 9 day of November, 2029, has acknowledged the same before me in my county aforesaid.

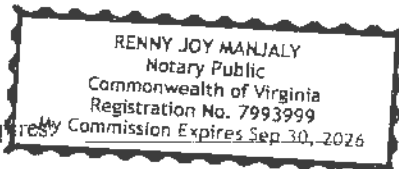
Given under my hand this 9 day of November, 2029.

Notary Public



(Notarial Seal)

My commission expires



SCHEDULE A: Part One

1. The Maximum Debt Limit referred to in Section 1.01 is \$100,000,000.00.
2. The state referred to in Section 1.04 is Kentucky.
3. The addresses of the parties referred to in Sections 1.05 and 6.05 are as follows:

As to the Mortgagor:

Big Sandy Rural Electric Cooperative Corporation
504 11th Street
Paintsville, Kentucky 41240-1422

As to the Mortgagees:

Rural Utilities Service
United States Department of Agriculture
Washington, DC 20250-1500
National Rural Utilities
Cooperative Finance Corporation
20701 Cooperative Way
Dulles, Virginia 20166

4. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

<u>Instrument Title</u>	<u>Instrument Date</u>
Restated Mortgage and Security Agreement	November 1, 2004
Supplement	December 10, 2012

5. The outstanding secured obligations of the Mortgagor referred to in the fourth WHEREAS clause above are evidenced by the Original Notes described below:

ORIGINAL NOTES issued to the Government¹				
<u>Loan</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final</u>	<u>% Rate²</u>
<u>Designation</u>			<u>Maturity</u>	
AK61	\$2,659,000.00	19 Jan 1996	19 Jan 2031	V
AL8 ³	\$7,464,000.00	04 Jan 1999	31 Dec 2033	V
AM44	\$7,880,000.00	01 Nov 2004	01 Nov 2039	V
AN8 ⁴	\$10,397,000.00	30 Sep 2009	31 Dec 2043	V
AP8 ⁵	\$10,000,000.00	01 Jul 2016	31 Dec 2050	V
AR47	\$14,745,000.00	01 Nov 2022	01 Nov 2057	V

¹"Government" as used in this listing refers to the United States of America acting through the Administrator of the Rural Utilities Service (RUS) or its predecessor agency, the Rural Electrification Administration (REA). Any Notes which are payable to a third party and which either RUS or REA has guaranteed as to payment are also described in this listing as being issued to the Government. Such guaranteed Notes are typically issued to the Federal Financing Bank (FFB), an instrumentality of the United States Department of Treasury, and held by RUS, but may also be issued to non governmental entities.

²V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations or by the Secretary of Treasury. CFC=an interest rate which may be fixed or variable from time to time as provided in the CFC Loan Agreement pertaining to a loan which has been made by CFC and guaranteed by RUS. CoBank=an interest rate which may be fixed or variable from time to time as provided in the CoBank Loan Agreement pertaining to a loan which has been made by CoBank and guaranteed by RUS.

³In addition to this note which the Mortgagor has issued to FFB, the Mortgagor has also issued a corresponding promissory note to RUS designated as the certain "Reimbursement Note" bearing even date therewith. Such Reimbursement Note is payable to the Government on demand and evidences the Mortgagor's obligation immediately to repay RUS, any payment which RUS may make pursuant to the RUS guarantee of such FFB note, together with interest, expenses and penalties (all as described in such Reimbursement Note). Such Reimbursement Note is an "Additional Note issued to the Government" for purposes of this Part One of Schedule A and this Mortgage and is entitled to all of the benefits and security of this Mortgage.

⁴See footnote 3 in this Schedule A.

⁵See footnote 3 in this Schedule A.

SCHEDULE A: Part Two

The outstanding secured obligations of the Mortgagor referred to in the fourth WHEREAS clause above are evidenced by the Original Notes described below:

ORIGINAL NOTES issued to CFC

<u>CFC Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
KY058-C-9018	\$1,139,000.00	01/19/1996	01/19/2031
KY058-A-9022	\$6,500,000.00	07/28/2017	07/28/2038

SCHEDULE B

Property Schedule

The fee and leasehold interests in real property referred to in Subclause A of Granting Clause First are described on the attached pages designated 1 through 1 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: Counties of Breathitt, Floyd, Johnson, Knott, Lawrence, Magoffin, Martin and Morgan in the Commonwealth of Kentucky.

The contracts referred to in Subclause C of Granting Clause First include without limitation the Power Supply Contract, dated as of October 1, 1964, between the Mortgagor and East Kentucky Power Cooperative, Inc., as amended.

SCHEDULE B

PROPERTY SCHEDULE

- (a) The existing Electric Facilities are located in the following counties:
Breathitt, Floyd, Johnson, Knott, Lawrence, Magoffin, Martin and Morgan,
in the State of Kentucky.
- (b) The property referred to in the last line of paragraph I of the Granting Clause includes the following:
1. A certain tract of land described in a certain deed, dated August 4, 1964, by May F. Stafford (single) and DeWitt T. Stafford (single), as grantors, to the Mortgagor, as grantee, and recorded in the office of the Clerk of the County of Johnson County, Kentucky, in Deed Book 148, page 459;
 2. A certain tract of land described in a certain deed, dated August 4, 1964, by DeWitt T. Stafford (single), as grantor, to the Mortgagor, as grantee and recorded in the office of the Clerk of the Johnson County, Kentucky, in Deed Book 148, page 456-456-A;
 3. A certain tract of land described in a certain deed, dated October 12, 2010, by James T. Matney and Deborah Matney, his wife, as grantors, to the Mortgagor, and Big Sandy Rural Electric Cooperative as grantees, and recorded in the office of the Clerk of Johnson County of Kentucky, in Deed Book 425, page 281;
 4. A certain tract of land described in a certain deed, dated June 9, 2011, by Gary Randall Preston and Christina S. Preston, his wife, as grantors, to the Mortgagor, and Big Sandy Rural Electric Cooperative Corporation, grantees, and recorded in the Deed Book 428, pages 227-232;

SCHEDULE C

Excepted Property

None.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 47: Refer to the Prater Testimony, page 7, lines 6-10, and indicate the amount and where the amounts can be found included in Big Sandy RECC's revenue requirement associated with:

- a. The 1.118% FFB loan interest.
- b. CFC Certificate Revenue with an annual return of 5%.

Response 47a: Pro Forma Interest Cost \$70,111. Reference Schedule 1.13 Line 25 in Big Sandy Application.

Response 47b: Included in \$297,572. Reference Exhibit JW-2 Page 1 of 18 Line 26 in Big Sandy's Application.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request48: Refer to the Prater Testimony, page 7, lines 6-10. If there is no 1.118% FFB loan interest included in Big Sandy RECC's revenue requirement, provide the date the funds were drawn down, the terms of the loan repayment, and the amount outstanding as of the filing date of this rate case.

Response 48: Please see Response 47 above.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 49: Refer to the Prater Testimony, page 7, lines 6-10. If there is no 1.118% FFB loan interest included in Big Sandy RECC's revenue requirement, explain why it has not been included.

Response 49: Please see Response 47 above.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 50: Refer to the Prater Testimony, page 7, lines 6-10.

- a. If no CFC Certificate Revenue with an annual return of 5% is included in the revenue requirement, provide the dates the certificates were issued, the terms of the certificates, and the amount outstanding as of the filing date of this rate case.
- b. Does Big Sandy have any other CFC Certificates than those purchased with the proceeds of the 1.118% FFB loans? If so, how were these certificates purchased, and is the Certificate Revenue included in Big Sandy RECC's revenue requirement?

Response 50a: Please see Response 47 above.

Response 50b: Big Sandy does not have any other CFC Certificates

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 51: Refer to the Prater Testimony, page 7, lines 19-21, and provide a copy of the four issues of Kentucky Living Magazine sent out to Big Sandy RECC members during the test year.

Response 51: See Attachment OAG-DR 1 Response 51.

ATTACHMENT OAG DR-1 51



Big Sandy RECC

A Touchstone Energy® Cooperative 

Our common bond

These days, there's a lot of talk about the differences that divide us. We've probably all heard more than we care to on that subject.

But what about those things that unite us? Membership in Big Sandy RECC is a fine example of the powerful benefits that come from having a common bond.

Consumer-members of Big Sandy RECC share more than affordable electricity. We also benefit from long-held cooperative values that chart a positive course for our member-owned company and those it serves. As one of Kentucky's Touchstone Energy Cooperatives, we value:

Making an impact

Kentucky's Touchstone Energy Cooperatives are helping build stronger communities through economic development initiatives. In 2022, these efforts helped bring \$2.5 billion in new investments and create an estimated 1,750 jobs. Since 2015, more than \$11 billion in new investment and 16,500 new jobs have been created in commonwealth communities served by electric cooperatives.

- **Integrity.** Members first. Every day. That's the power of membership. As a not-for-profit electric cooperative, we deliver electricity to members at the cost of service. This differs from investor-owned utilities, which distribute profits to investors rather than those they serve.
- **Accountability.** This electric co-op belongs to you, the members it serves. Decisions made benefit those in our community because co-op business is conducted by a local board of directors elected by the members. This group, in turn, proposes policies to be voted on by members.
- **Innovation.** Big Sandy RECC uses state-of-the-art technology and offers cutting-edge programs that meet the needs and expectations of our members. We're proud to offer programs such as PrePay, outage texting, Cooperative Solar and net metering.
- **Community.** We are committed to improving the quality of life in the communities where our members live, work and play. It's the reason we donate time, energy and resources to charities,



schools and community events and take a leadership role in economic development projects. Sponsoring war veterans for the Honor Flight trip to Washington, D.C., and taking an active role in supporting the Special Olympics Kentucky Summer Games are just two examples of our commitment to community.

These values guide Big Sandy RECC like a compass. They set the course for powering our communities and empowering our consumer-members. These values are the bond that makes us stronger, and better, together.



Bruce Aaron Davis
Big Sandy RECC
Manager

**BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION**

www.bigsandyrecc.com

Operate space heaters with care

Many Kentucky families rely on portable space heaters for wintertime warmth. While space heaters do provide some additional warmth in the cold winter months, because they're both equally inefficient as heat sources and expensive to run, we recommend not using them unless they're a necessary heat source.

Though they can help keep your space toasty, portable heaters can be dangerous if used carelessly. Big Sandy RECC urges you to follow these safety rules to avoid an electrical fire or other accident.

DON'T leave it unattended.

Don't leave a space heater running while you're out of the room, away from home or sleeping. Unplug it when it's not in use.

DO use approved models.

Purchase only Underwriter

Laboratories (UL) or Electrical Testing Lab (ETL) lab-tested and approved heaters.

DON'T use gas or kerosene indoors.

Gas-fueled space heaters not vented to the outside can release harmful gases that can cause illness or even death. Electric space heaters are the safe choice for indoor use because they don't emit carbon monoxide or other pollutants.

DO plug directly into wall outlets.

To avoid overloading circuits, don't plug heaters into power strips, surge protectors or extension cords.

DO be mindful of placement.

Keep heaters at least 3 or 4 feet away from flammable items such as furniture, blankets, clothing, towels, curtains, mattresses and bedding.

Don't place them on throw rugs, furniture or countertops.

DON'T forget smoke and carbon monoxide detectors.

Install interconnected alarms, which will all go off at the same time, inside and outside each bedroom on every level of your home, and test them monthly.

DO keep kids away.

Teach your children about the dangers of touching a heater. If they won't remain a safe distance away, remove the space heater.

Be cautious when using an electric space heater to stay cozy and safe in the cold months.

More heating tips

Generally, it is best to run a space heater when you need to heat just one or two rooms, or if you need temporary heat in a normally unheated area like a garage or shed.

If you have a particularly cold-sensitive person in the home, it can be more efficient to use a space heater in the room they most often occupy rather than overheating the whole house.

However, be mindful of the costs that these little heaters can add to your monthly electric bill. Most space heaters are 1,500 watts. If you're operating one eight hours a day, and your electric rate is 12 cents per kilowatt-hour, here's the math: 1,500 watts divided by 1,000 (to convert watts to kilowatts); then multiplied by 8 hours a day; multiplied by 30 days is 360 kilowatt-hours. Multiply that by the rate, \$0.12 per kwh—that's \$43.20 a month to operate the space heater.

If you have more than one space heater, double or triple the cost by the number of heaters you have.

SPACE HEATER SAFETY

Place space heaters
on hard, level
surfaces.

Keep heaters at least
3 ft. away from
children, pets and
flammable materials.



RANDY BUCKNAM

Bourbon and batteries are transforming Kentucky's economy

Momentum is the name of the game in economic development, and Kentucky is on a roll, says Brad Thomas, who represents Kentucky's Touchstone Energy Cooperatives in attracting new businesses and jobs to the region.

In 2022 alone, the 87-county region realized \$2.5 billion in new facility projects and business expansions, the economic development specialist reported. Those investments will create an estimated 1,750 jobs.

Big Sandy RECC is one of Kentucky's Touchstone Energy Cooperatives that launched an economic development initiative in 2015 that continues to pay big dividends for local communities. In seven years, more than \$11 billion in new investment and 16,500 new jobs have been created in commonwealth communities served by electric cooperatives.

Two industries—distilled spirits



TIM WEBB

and electric vehicle battery manufacturing—dominated the economic development landscape last year.

“We saw about \$700 million in new distillery investments (in 2022),” Thomas says. Examples are a development by Koetter Spirits, which will be on Shelby Energy lines, and the new Kentucky Whiskey House Distillery to be served by Nolin RECC.

Kentucky is becoming a hub for

advanced manufacturing following Ford’s announcement about a new battery park in Glendale. Companies that make products to support battery manufacturing see Kentucky as a centralized location for shipping to American auto manufacturers, Thomas says.

When a new company chooses to locate in a Kentucky town or county, the entire region benefits, he says. For instance, distilling industry growth is creating widespread opportunities for supply chain partners, farmers, communities and tourism.

“The impact of these investments is significant for our rural areas. It’s transformational,” he says. Contributions to local taxes and attractive job opportunities are among the benefits that strengthen communities.

Electric co-op members also gain. When a new industrial member is added to co-op lines, it helps to stabilize the cost of electricity for all members.

Members of Kentucky’s Touchstone Energy Cooperative’s economic development team report increased interest from potential investors. They predict 2023 could be another banner year for bringing new jobs to Kentucky.





Big Sandy Rural Electric Cooperative Corporation

504 Eleventh Street
Paintsville, KY 41240

Hours:

Monday–Thursday:
7 a.m. to 5:30 p.m.

Friday–Sunday: Closed

(606) 789-4095

(888) 789-7322

www.bigsandyrecc.com

BOARD OF DIRECTORS

Danny Wallen, Chairman

Greg Davis, Vice Chairman

James Vanhooose,
Secretary-Treasurer

Jim McKenzie

Velma May

Gary Francis

Jason Holbrook

Attorney, Tyler Green

EMERGENCIES/OUTAGES

Nights, Weekends & Holidays

Toll Free: (888) 789-7322

Tap the app for energy savings

Want instant information that can lower your electric bill? Big Sandy RECC's SmartHub helps you stay on top of your energy habits before you get your bill.

SmartHub includes robust energy use analytics tools, which allow you to compare energy use over time and against weather data. Tracking your energy use like this lets you see if you're using more energy than usual and empowers you to make adjustments if necessary.

Some ways you can use SmartHub for energy use monitoring:

- Analyze and understand usage trends to find ways to cut back.
- Create and track a monthly budget to avoid unexpected high utility bills.
- Set a point or range in time to compare differences in usage.



Access SmartHub online at bigsandyrecc.com, or download the app on your mobile device through the App Store (iPhone or iPad) or Google Play (Android devices).

Need help getting started? Big Sandy RECC member services representatives are available to help. Call us at (888) 789-7322, Monday through Thursday between 7 a.m. and 5:30 p.m.

Members Matters

Connect to health savings

February is Wise Health Care Consumer Month, a perfect time for Big Sandy RECC members to connect to savings on medicine and other health services with the free Touchstone Energy Co-op Connections program.

As a co-op owner-member, you can save money on prescriptions and healthcare expenses such as vision and dental—in February, and every month. Being connected means you get more than 150,000 discounts from businesses

in our area and national companies. There are also cash-back offers for on-line shoppers and deals for travelers.

Find discounts immediately by downloading the free Co-op Connections app for mobile devices. Search “Co-op Connections” in your favorite app store.

Get connected and keep more money in your pocket through Co-op Connections—just one more benefit of being a Big Sandy RECC consumer-member.

2023 Big Sandy RECC Annual Meeting

THURSDAY, MAY 18

Registration: May 15-17
(online or in person)

Business Meeting: Thursday,
May 18, 10 a.m., virtual

Big Sandy RECC Headquarters

504 11th Street, Paintsville

Mountain Arts Center

50 Hal Rogers Drive, Prestonsburg

- Drive-thru bucket and bulb pick up at either the main office, Paintsville, or at the Mountain Arts Center, Prestonsburg



Bucket and bulbs

Come by and receive a bucket and bulbs. When you register you will be entered into our door prize drawing.



Big Sandy RECC

A Touchstone Energy Cooperative 

2022 Big Sandy RECC Cooperative YEAR IN REVIEW

ACTIVE ACCOUNTS

As of December 31, 2022

Floyd.....	5,662
Johnson.....	5,380
Martin.....	793
Knott.....	466
Lawrence.....	306
Breathitt.....	17
Morgan.....	12
Total.....	12,636

ACCOUNTS BILLED

2022.....12,636

AVERAGE KWH USAGE

(residential per month)

2022.....1,177

MILES OF LINE

2022.....1,030.8

CONSUMERS PER MILE

2022.....12.26

FOR INFORMATION AND INQUIRIES

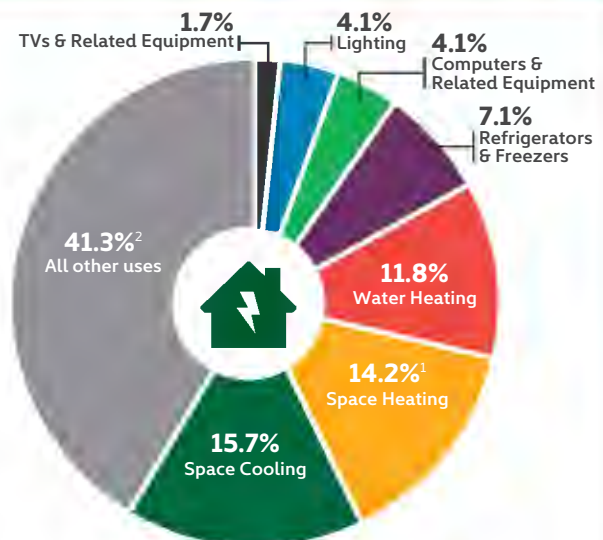
504 11th Street
Paintsville, KY 41240
(606) 789-4095
www.bigsandyrecc.com

SERVICE AREA



How Americans Use Electricity

The latest data from the U.S. Energy Information Administration shows the combined use of clothes washers and dryers, dishwashers, small appliances and other electrical equipment (noted as "all other uses" below) accounts for the largest percentage of electricity consumption in American homes.

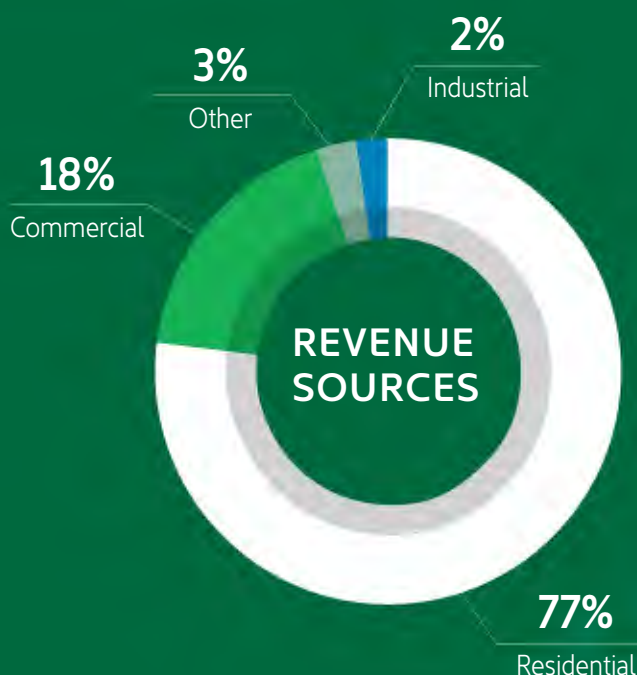


Source: Energy Information Administration 2021

¹Includes consumption for heat and operating furnace fans and boiler pumps.
²Includes miscellaneous appliances, clothes washers and dryers, stoves, dishwashers, heating elements, and motors.

NRECA

FINANCIALS



STATEMENT OF OPERATIONS

As of December 31, 2022

Operating Revenue..... \$29,305,332

OPERATING EXPENSE

Purchased Power \$20,333,030
 Operating System..... 5,886,159
 Depreciation..... 2,521,208
 Taxes 29,260
 Interest on Loans 672,533
 Other Deductions 166,061
 Total Cost of Electric Service \$29,608,251

Operating Margins \$(302,919)

Non-Operating Margins..... 304,649

G & T Capital Credits 323,975

Other Capital Credits 96,547

Patronage Capital and Margins \$422,251

BALANCE SHEET

As of December 31, 2022

ASSETS

Total Utility Plant..... \$61,108,688
 Less Depreciation 27,673,092
 Net Utility Plant \$33,435,596

Investments in Associate Organization..... \$0

Cash 990,752

Accounts and Notes Receivable 5,684,884

Inventory..... 474,246

Prepaid Expenses..... 22,480

Deferred Debits and Other Assets 23,677,628

Total Assets \$64,285,586

LIABILITIES

Consumer Deposits..... \$706,100

Membership and Other Equities 29,436,140

Long-Term Debt..... 24,109,321

Notes and Accounts Payable..... 5,133,763

Other Current Liabilities..... 4,900,262

Total Liabilities \$64,285,586

AGENDA

Annual Meeting of Members of Big Sandy Rural Electric Cooperative

**Big Sandy RECC Headquarters and
Mountain Arts Center**

Registration: May 15–17

Business Meeting: Thursday, May 18,
10 a.m., virtual

The annual membership meeting of this co-op organizes to take action on the following matters:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of approved 2022 meeting of the members minutes and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Report on the election of board members.
6. Unfinished business.
7. New business (or other business if properly raised).
8. Adjournment.



Bruce Aaron Davis
President & General
Manager



Danny Wallen
Chairman



Greg Davis
Vice Chairman



James Vanhoose
Secretary-Treasurer



Jim McKenzie
Director



Velma May
Director



Gary Francis
Director



Jason Holbrook
Director



Big Sandy RECC

A Touchstone Energy® Cooperative



Powering a Friday night tradition

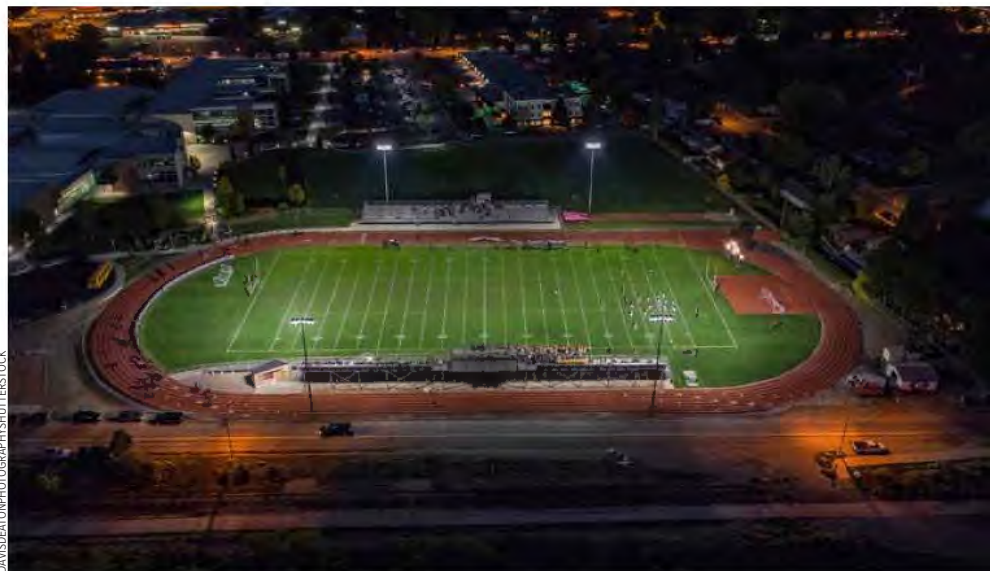
Friday night lights, as high school football in Kentucky has come to be known, is a film, a long-running television show and way more than that here in the commonwealth. It's a long-running tradition powered by cooperatives in 89 counties across Kentucky.

A pigskin passion

Kentuckians have been passionate about football since the sport began. The Kentucky Encyclopedia notes that the first college game occurred here in 1880. High school football debuted in 1893.

By 1914, football was commonplace at most large high schools. Smaller schools later followed suit, with the majority of Kentucky high schools fielding a team when the first state championship games were held in 1959.

Friday night football games wouldn't happen until the 1950s and 1960s for most schools in Big Sandy RECC's service area. By then, most rural homes and businesses had access to electricity through their co-op membership. Schools were also powered by co-op electricity, but their football fields



weren't equipped with lights. One by one, communities rallied around their hometown teams by raising funds to buy field lights that co-op employees often would help install.

Under the lights

By the 1970s, playing under the lights was a Friday night tradition. Big Sandy RECC is proud to be a part of this tradition, providing the dependable electricity teams and fans count on.

Co-op electricity lights up stadiums, locker rooms and parking lots.

We power scoreboards and public address systems. We're also the power source for concession stands that crank out hot foods and cold beverages for fans.

The high school football season kicks off in late August. Like the teams we serve, Big Sandy RECC is conditioned and ready for a great season.

Let the games begin!



Bruce Aaron Davis
Big Sandy RECC
Manager

**BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION**

www.bigsandyrecc.com

Safety lessons for students

School is back in session across Kentucky. As your household falls into the back-to-school routine, take a minute to review these electrical safety tips with your kids. Knowing electrical hazards and how to address them gets students off to a good—and safe—start to the school year.

Elementary/Middle School Students

- Don't play near or around power lines, poles or pad-mount transformers (those big green boxes) on school property.
- Never place writing utensils or other supplies like paperclips in or near electrical outlets.
- Ensure hands and the area around you are dry before plugging in an electric device. This is especially important in science labs where water may be used.
- When unplugging, always hold the plastic base to pull the plug out of an electrical outlet. Never yank it out by the cord.

High School Students

- If you drive to and from school, obey all traffic laws and practice safety when driving in areas where utility crews are working.
- If you're in an accident involving a downed power line, make sure to assume the line is energized. Remain in the vehicle and call 911. If you must exit the vehicle, jump out of it with feet together, avoiding contact with the vehicle and ground at the same time.

College Students

- Don't overload electrical outlets. Some older dorms or campus housing may not be equipped to handle today's use of electronic appliances and gadgets.
- Keep all electrical appliances and cords away from bedding, curtains and other flammable materials.
- Don't nail or tack an electrical cord to any surface and never run cords under rugs.
- Use power strips with a built-in surge protector to prevent possible damage to electronics and computers.

Share these fundamental electrical safety rules with your students before they head back to school. It could prevent injury or even save a life.

Sources: Electrical Safety Foundation International, Safe Electricity



PHOTOS: TIM WEBB

Big Sandy RECC sponsors local heroes for upcoming Honor Flight

Benson Hays of Betsy Layne and James Thurman Mullins of Van Lear will represent Big Sandy RECC as participants in the upcoming Honor Flight set for Sept. 16. The two are among the contingent of Kentucky war-era veterans who will fly from Lexington's Blue Grass Airport to Reagan National Airport in Washington, D.C., to enjoy a full day of honors and sightseeing.

Hays and Mullins will join other veterans in visiting memorials dedicated to those who served in World War II, the Korean War and the Vietnam War. The group will also tour memorials dedicated to those who served in the Air Force and Marine Corps. The day culminates with viewing the changing of the guard ceremony at the Tomb of the Unknown Soldier in Arlington National Cemetery.

This is the 12th year Big Sandy RECC and Kentucky's Touchstone Energy Cooperatives have sponsored the all-expense-paid Honor Flight. Volunteers representing Big Sandy RECC and the other co-ops will accompany the vets to assist them as they travel. The trip is organized in partnership with Honor Flight Kentucky.

"It's an honor for us to sponsor both Benson and James and the other heroes from Kentucky," says Natasha Wiley, manager of member services. "We owe them so much for the freedoms we enjoy, and we hope all the veterans return saying it was one of the greatest days of their lives."

To further honor this year's Honor Flight participants, Big



Sandy RECC is helping organize a special welcome for their return. Families, friends and supporters are invited to arrive at Blue Grass Airport by 7:30 p.m. Sept. 16 to

greet the veterans when their flight returns from Washington.

For more information, contact: Natasha Wiley, manager of member services, (606) 789-4095.



Big Sandy Rural Electric Cooperative Corporation

504 Eleventh Street
Paintsville, KY 41240

Hours:

Monday–Thursday:
7 a.m. to 5:30 p.m.

Friday–Sunday: Closed

(606) 789-4095

(888) 789-7322

www.bigsandyrecc.com

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Toll Free: (888) 789-7322

Annual meeting snapshots



NATASHA WILEY



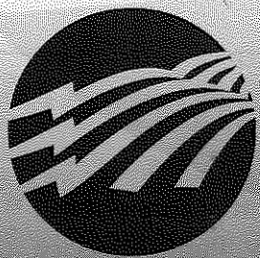
JEFF PRATER



WADE HARRIS



JEFF PRATER



Big Sandy RECC

A Touchstone Energy® Cooperative



What we value

You might have noticed the Touchstone Energy Cooperatives logo that appears alongside the Big Sandy RECC name. It's a mark we exhibit with pride because of what it says about us.

The word "touchstone" comes from long ago times when merchants tested the authenticity of gold and silver coins by rubbing them on a hard black stone. The color of the streak left on the "touchstone" disclosed the coins' true value.

Today, the more common meaning of touchstone is a reference point from which to evaluate the quality or excellence of something. At Big Sandy RECC, it represents these core values that set us apart from other utilities:

- **INTEGRITY:** Members first. Every day. As a not-for-profit electric cooperative, Big Sandy RECC delivers energy at the cost of service. This differs from investor-owned utilities, which distribute profits to investors, not necessarily to the people they serve.
- **ACCOUNTABILITY:** We belong to you, our owner-members. Decisions are made in your best interest by directors you elect.
- **INNOVATION:** As a Touchstone Energy Cooperative, we have access

to state-of-the-art technology to better serve you. The energy industry is always changing, and our cooperatives are always looking for ways to better serve you, such as using technology to monitor our power lines and ensure reliable service.

- **COMMUNITY:** Kentucky's Touchstone Energy Cooperatives work together to improve the quality of life in their communities. Big Sandy RECC donates time, energy and resources to local projects and causes like Honor Flight, Special Olympics and the Ronald McDonald houses and takes a leadership role in community development projects. We also have a dedicated team of economic development professionals who work to better our communities through bringing investments and jobs to our co-op area.

Big Sandy RECC is one of the

America's Electric Cooperatives

From booming suburbs to remote rural communities, America's electric cooperatives are energy providers and engines of economic development. Electric cooperatives play a vital role in transforming communities.

Cooperatives power
56%
of the nation's
landmass.



832

distribution cooperatives are the foundation of the electric cooperative network. They were built by and serve co-op members in the community with the delivery of electricity and other services.



63

generation & transmission cooperatives provide wholesale power to distribution co-ops through their own electric generation facilities or by purchasing power on behalf of the distribution members.

www.electric.coop @NRECAnews



17 co-ops that make up Kentucky's Touchstone Energy Cooperatives. As we celebrate October as National Co-op Month, I'm proud to recognize these values that strengthen our relationship with you.



Bruce Aaron Davis
Big Sandy RECC
Manager

BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION

www.bigsandyrecc.com

NOTICE

Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") intends to propose a general adjustment of its existing rates by filing an application with the Kentucky Public Service Commission ("KPSC") on or after October 1, 2023 in Case No. 2023-00285. The application will request that the proposed rates become effective on or after November 1, 2023.

Big Sandy intends to propose an adjustment only to certain rates. The present and proposed rates for each customer classification to which the proposed rates will apply are set forth below:

Rate Class	Rates	
	Present	Proposed
<u>A1 Farm & Home</u>		
Customer Charge per month	\$21.95	\$28.00
Energy Charge per kWh	\$ 0.08877	\$ 0.09060
Off Peak energy charge per kWh	\$ 0.05194	\$ 0.05194

No revisions are proposed to any other charges or Rate Schedules.

The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply is set forth below:

Rate Class	Avg KWH	Avg Customer Bill Impact	Total Revenue Increase	
			Dollars	Percent
A1 Farm & Home	1,156	\$ 8.17	\$1,138,588	5.16%
A2 Commercial & Small Power	863	\$ 0.00	\$ 0.00	0.00%
LP Large Power Service (25-750 kV)	3,741	\$ 0.00	\$ 0.00	0.00%
LPR Large Power Service (750 kVA +)	104,014	\$ 0.00	\$ 0.00	0.00%
IND-1B Industrial	532,875	\$ 0.00	\$ 0.00	0.00%
YL Lighting	NA	NA	\$ 0.00	0.00%
Total Impact on Big Sandy's Revenue			\$ 1,138,588	3.97%

Additional information, links, and a copy of Big Sandy's full notice concerning its proposed rate adjustment can be found at Big Sandy's principal office (504 11th Street Paintsville, KY 41240), its website (<https://www.bigsandyrecc.com/>), and via social media with Facebook (<facebook.com/BSRECC>). A person may submit a timely written request for intervention to the KPSC, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. The KPSC's phone number is (502) 564-3940 and its website is <http://psc.ky.gov>. The KPSC is required to take action on Big Sandy's application within 75 days of its filing. The rates contained in this notice are the rates proposed by Big Sandy but the KPSC may order rates to be charged that differ from the proposed rates contained in this notice.

Nominate an outstanding person to win the #WhoPowersYou contest

Big Sandy RECC, a Kentucky's Touchstone Energy Cooperative, is proud to bring the exciting #WhoPowersYou contest to our members. In the past, the national contest has recognized people across the country who make a difference. Now, the contest is open to Kentucky's Touchstone Energy Cooperatives' members only.

You can nominate a Big Sandy RECC member as an unsung hero in our community. Someone in Kentucky will win \$1,000 for first place, \$750 for second and \$250 for third place. The prize money is awarded to co-op members who show the power of human connections.

"It's easy to enter. Just share a brief description of how that person has made a difference in the community," says Big Sandy RECC's

Natasha Wiley. "We know there are so many wonderful people in our area and we want to recognize their dedication to improving our community."

Simply visit www.whopowersyouky.com to nominate someone special in your community. Be sure to include "ky" in the website URL. Winners will be announced in mid-November.

The nominee must be an active member of a participating cooperative to be eligible. A nominator does not have to be a co-op member to submit a nominee.

Help us share word of the



contest by using the hashtag #WhoPowersYou on social media and let others know you recognize those making a difference. It's Big Sandy RECC's way of making life better.

Beware of energy vampires

A hidden terror could be creeping around your home. These silent menaces never sleep and lurk in every room. They are energy vampires—electronic devices that slowly suck electricity when they are turned off but still plugged in.

The glowing light that remains on when a device is powered off is a tell-tale sign of an unwelcome power sucker. Electronics chargers, computers and devices that turn on instantly via remote control are common culprits.

Individually, these voltage vampires use only small amounts of electricity, but they can collectively account for as much as 10% on the average monthly electric bill, reports the U.S. Department of Energy.

To slay your energy vampires and save money, Big Sandy RECC suggests these tactics:

- **Unplug.** When not in use or fully charged, unplug devices such as cellphones, coffee makers, gaming systems and even rechargeable toothbrushes.
- **Use power strips.** Shut off power with the flip of a switch when you plug multiple devices into a strip. If you use a smart power strip, it will automatically turn off idle electronics.
- **Put them to sleep.** Activate the sleep mode on your computer or set other electronics into power-saving mode to minimize their electricity consumption after a



- **Make smart upgrades.** Look for the ENERGY STAR label when purchasing new appliances. They can use half as much energy as other appliances.

Slay the energy vampires in your home and reap energy savings—no wooden stakes or garlic required.



**Big Sandy
RECC**

A Touchstone Energy Cooperative

**Big Sandy Rural Electric
Cooperative Corporation**

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Your Safety Matters

Become a local hero

Concern for community is a key cooperative principle, and one we take seriously here at Big Sandy RECC. It's one reason we prioritize safety for the protection of our members and our employees. It's also why we value the volunteer fire departments in our service area, which are essential to ensuring timely rural emergency response.

Volunteer firefighters are always there when we need them most. These valued first responders show up and save the day when there are structure fires, medical emergencies, farming accidents and a long list of other emergencies where their skills and expertise are called upon in smaller communities.

Like co-op lineworkers, they're there in all types of natural disasters—tornadoes, floods, ice storms and more—to help set things right again. In extreme situations, like dangerous water rescues and hazardous materials spills, we know we can count on them.

Most of those on local volunteer fire department rosters are Big Sandy RECC members. Several of these volunteers are also Big Sandy RECC employees and board directors.

Despite their vital importance, there aren't enough volunteer firefighters to safeguard rural Kentucky. Most local volunteer fire departments report they are battling the same worker shortages affecting industries across the commonwealth.

Oct. 28 is National Make a Difference Day, a good time to consider whether you can step into the gap and fill a role as a volunteer firefighter. Volunteers live and work in the area they serve. Most have ordinary jobs and have no background as first responders, but all share the commitment to serve their community. Training is required and provided for those who raise their hand for the job.

Contact your local volunteer fire department today and become a hero to your neighbors.



SHOOT FIRST MEDIA/ATLAS SHUTTERSTOCK

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 52: Refer to the Prater Testimony, page 7, lines 19-21.

- a. Provide the total amount of expense incurred in the test year related to the publication and distribution of Kentucky Living Magazine to Big Sandy RECC members.
- b. Explain in detail whether there have been any surveys sent to members asking about the continued need for Kentucky Living Magazine as a physical publication. If so, provide a summary of the results of the survey(s).

Response 52a:

February 2023-	\$5,406.93
April 2023-	\$5,160.34
August 2023-	\$5,580.45
October 2023-	\$5,792.92
Total -	\$21,940.64

Response 52b: Big Sandy RECC Customer Service Representatives have surveyed 2,139 members as a part of our monthly member surveys. Included in the survey is the question: Would you be interested in receiving the Kentucky Living Magazine more than 4 times per year, to which Big Sandy RECC members answered YES 53% and NO 47%.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 53: Refer to the Prater Testimony, page 8, lines 3-7. Explain whether the costs associated with the Pulse Broadband Feasibility Study are included in Big Sandy RECC's revenue requirement.

Response 53: The cost for this study was incurred in 2022 and is not included in the 2023 test period or the revenue requirement.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 54: Refer to the Prater Testimony, page 8, lines 3-7. Explain how much was spent on the Pulse Broadband Feasibility Study and when the expense was incurred.

Response 54: The total cost was \$25,000 paid on September 8, 2022.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 55: Refer to the Prater Testimony, page 8, lines 17-20. Were any of the AMR system investments that were put into service between 2004 and 2009 retired early (prior to the end of their useful life) as a result of the Aclara Purchase Agreement?

Response 55: Meters replaced during the 2019 to 2023 period were put in service from 2004 to 2007. In general, we tried replacing meters at their end of life, however some meters could have been removed slightly ahead of the 15-year depreciation period.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 56: Refer to the Slone Testimony at page 6. Ms. Slone states that “Big Sandy is required in its mortgage agreements to maintain at least a minimum OTIER of 1.10, based on an average of two best out of the three most current years.” Provide the lender, interest rate, test year interest expense, and the TIER and OTIER requirements for each loan outstanding.

Response 56: Please refer to Commission Staff's First Data Request, Item 3(a) Schedule B(1) for a list of all outstanding loans. Please refer to Request 26(a) and (b) above for TIER & OTIER requirements.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 57: Refer to the Slone Testimony, page 7.

- a. Explain in detail why Big Sandy RECC has not completed a depreciation study since 2007.
- b. Has Big Sandy RECC ensured that the accumulated depreciation reserves for each plant account do not exceed the historical cost of the plant in service? If not, why not?

Response 57a: Depreciation studies are very expensive and usually result in minimal percentage changes. Therefore, Big Sandy has not seen the necessity of this to be done often.

Response 57b: Big Sandy reviews the balance in the accumulated depreciation for general plant and distribution plant each year in conjunction with the annual audit.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 58: Are there Big Sandy RECC employees who participate in both a 401(k) plan and a Retirement Security (defined benefit) pension plan? If so, indicate how much 401(k) cost and how much defined benefit pension cost was included in the test year for these individuals.

Response 58: Yes, Please see the Excel file uploaded separately. OAG DR-1 Response 58

ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 59: Refer to the Application generally. Is the Fuel Adjustment Clause designed to recover 100% of Big Sandy RECC's fuel and purchase power costs?

Response 59: This rider is a pass-through of the rider applied to the wholesale bill pursuant to the approved wholesale rates for EKPC. See Big Sandy's approved tariff on file with the Commission. Also see the following FAQ on the Fuel Adjustment Clause provided to consumers by the Commission:

<https://psc.ky.gov/agencies/psc/consumer/FAC%20QandA.pdf>

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 60: Refer to the Application generally. Describe the Environmental Surcharge (“ES”) and what expenses are allowed to be captured. Further describe how expenses are passed on to members.

Response 60: This rider is a pass-through of the rider applied to the wholesale bill pursuant to the approved wholesale rates for EKPC. See Big Sandy’s approved tariff on file with the Commission.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 61: Refer to the Application generally. Provide a breakdown of Big Sandy RECC's wage expenses for the last five calendar years breaking out regular time, overtime, and other/vacation payout time. Also, include the average number of employees for those years.

Response 61: Please see the Excel files uploaded separately. See Commission Staff's First Request, Excel file Schedule I for years 2020-2024. See OAG DR-1 Response 61-64 for year 2019.

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SEPARATELY

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 62: Refer to the Application generally.

- a. Does Big Sandy RECC pay for the travel and meal expenses for Directors' spouses when the spouse accompanies the Director? If so, indicate by year, from 2022, 2023, and 2024 how much spousal travel expenses have been incurred by the Company.
- b. Indicate how much spousal travel has been included in the adjusted test year revenue requirement.

Response 62a: Big Sandy does not pay the travel expenses of Directors' spouses if they accompany their spouse.

Response 62b: Big Sandy does not pay the travel expenses of Directors' spouses if they accompany their spouse.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 63: Refer to the Application generally. If the TIER required by Big Sandy RECC's debt covenants is lower than the 2.0 TIER requested in the Cooperative's rate relief request, explain why it is necessary to have rates that provide TIER higher than required by debt covenants.

Response 63: The loan covenants establish minimum requirements for the financial metrics of TIER and OTIER. Big Sandy considers it prudent to establish rates that permit the achievement of financial metrics above these minimums, and the Commission has supported this view in every distribution cooperative rate case of which Big Sandy is aware. As stated in Mr. Wolfram's closing comments within his testimony found in the Application, there are several reasons for enacting rates that provide OTIER and TIER results higher than required by debt covenants, these include; increasing the customer charge to ensure that Big Sandy's rates are structured so that its fixed charges are covered with the fixed portion of its rates ensuring the revenue requirement is met even with decreased energy sales, and by designing rates that provide TIER and OTIER greater than required Big Sandy may increase its current ROW program as well as to investing in maintenance and improvements in its system to provide safe and reliable service to its members.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 64: Refer to the Application generally. Indicate the annual cost and expense associated with the employer portion of health care premiums in each of the last five calendar years.

Response 64: Please see the Excel files uploaded separately. OAG DR-1 Response 61-64 for year 2019. See also Commission Staff's First Request, Excel file Schedule I for years 2020-2024.

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SEPARATELY

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 65: Refer to the Wolfram Testimony, Reference Schedule 1.10.

- a. Explain what the Other Wages included in columns (10) and (16) represent.
- b. Are these bonuses or incentive compensation? If so, explain the criteria used for the same.
- c. If not, indicate what qualifies an employee to receive this pay.

Response 65a: This was an annual cost-of-living adjustment authorized by the Big Sandy Board of Directors.

Response 65b: Please see response 65a above.

Response 65c: All employees received the cost-of-living adjustment.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 66: Refer to the Application generally. Does Big Sandy RECC offer its management employees incentive compensation? If so, provide the following:

- a. How much incentive compensation was awarded in each of the last five calendar years?
- b. How much incentive compensation is included in the test year revenue requirement?
- c. Provide all documentation related to the criteria used for awarding incentive compensation.
- d. Who is responsible for authorizing or granting incentive compensation?
- e. What positions are eligible to be awarded incentive compensation?

Response 66a-e: Big Sandy does not offer incentive compensation.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 67: Refer to the Wolfram Testimony, Reference Schedule 1.10. In each of the past five calendar years, indicate the number of regular hours worked by the following employees:

- a. S05
- b. H01
- c. H05
- d. H09
- e. H10
- f. H11
- g. H12
- h. H13
- i. H14
- j. H18
- k. H19
- l. H20
- m. H27
- n. H38
- o. H39

Response 67a-o: Please see the Excel files uploaded separately. Years 2021-2019 are not included in the spreadsheet due to a software change and are not readily available.

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Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 68: Refer to the Wolfram Testimony, Reference Schedule 1.04. Provide a breakdown of when the capital credits removed were generated. Also, indicate the amount of G&T capital credits generated in each year for the past ten years.

Response 68: G & T capital credits are generated and recorded on an annual basis.

Below are the G&T capital credits recorded by Big Sandy for years 2014-2023:

2014	\$1,404,536
2015	\$1,399,353
2016	\$800,000
2017	\$588,000
2018	\$668,553
2019	\$627,425
2020	\$873,778
2021	\$605,871
2022	\$323,975
2023	\$412,311

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 69: Refer to the Wolfram Testimony, Reference Schedule 1.04. Has Big Sandy RECC's Board of Directors approved the return of capital credits over the next five years?

Response 69: Currently, Big Sandy RECC's Board of Directors has approved the return of capital credits to the estates of deceased members only. Please refer to Response 13(a); Attachment-13(a) Board Policy 300-010 above.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 70: Refer to the Wolfram Testimony, Reference Schedule 1.04. Were the \$412,311 test year G&T Capital Credits returned to customers? If not, explain when those capital credits will be returned.

Response 70: The \$412,311 G&T Capital Credits were not returned to the members. The allocation from the G&T is considered equity for Big Sandy RECC but is not a cash return. G&T capital credits may be returned to members when Big Sandy RECC's Board of Directors deem it prudent to do so.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 71: Refer to the Wolfram Testimony, Reference Schedule 1.04. Is Big Sandy RECC required to return G&T capital credits to its members? If so, cite the authoritative source (i.e., membership agreement, charter, Cooperative Operations Manual, etc.).

Response 71: No.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 72: Refer to the Application generally. Provide copies of all approved capital plans covering the next five years.

Response 72: Our 2025-2028 Construction work plan has been submitted to RUS for approval and will be presented to the PSC for approval as is customary upon RUS approval.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 73: Refer to the Application generally. Provide all workpapers relied upon by the witnesses to the extent they have not been previously provided.

Response 73: All applicable workpapers should be included with the specific request.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General’s First Request for Information

Request 74: Refer to the Application generally. Provide the FAC and ES rates used in determining member bills in the test year. Confirm that these charges are based on an energy (kWh) rate. If not, explain how these charges are billed.

Response 74: FAC is based on the kWh rate. ES is based on the dollar amount.

	2023 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
				0.008								
			0.0179	82	0.0133	0.0119	0.0038	0.0063	0.01228	0.0137	0.01283	0.00487
FAC	0.012796	0.026085	18	3	43	39	96	82	6	6	6	9
FUEL CHARGE IS BASED ON KWH												

	2023 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
								10.15				
										11.62	12.01	10.69
ES	6.40%	8.35%	11.31%	10.91%	12.94%	13.22%	12.83%	%	10.00%	%	%	%
ENVIROMENTAL SURCHARGE IS BASED ON DOLLARS												

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 75: Refer to the Application generally. Provide the budgeted versus actual employees by month for the last five years.

Response 75: Please see the Excel file uploaded separately. OAG DR-1 Response 75.

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Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 76: Refer to the Wolfram Testimony, Reference Schedule 1.10, Wages and Salaries Adjustment. Explain why employee S01 on Line 1 of the Salary Employees has 2,080 regular hours, but no actual test year regular wages.

Response 76: This has been corrected. Please refer to the Commission Staff's Second Request Item 8 (b).

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Attorney General's First Request for Information

Request 77: Refer to the Wolfram Testimony, Reference Schedule 1.10, Wages and Salaries Adjustment. Explain why each of the part time and summer employees that are still employed are listed to work 2,080 hours for the regular Pro Forma wages.

Response 77: This has been corrected. Please refer to the Commission Staff's Second Request Item 8 (i).