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June 17, 2010

RECEIVED

JUN 18 2010

PUBLIC SERVICE
COMMISSION

VIA FEDERAL EXPRESS

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BLVD.
FRANKFORT KY 40602

***Re: Amended Application of Jackson Purchase Energy Corporation
for Authorization to Refinance from CoBank and Execute
Necessary Notes***

Dear Mr. Derouen:

Please find enclosed an original and ten (10) copies of Jackson Purchase Energy Corporation's Application. Also enclosed is an extra copy for purposes of file stamping. Please return the copy in the envelope provided.

Jackson Purchase Energy Corporation respectfully requests expedited handling of this matter. In order for JPEC to receive the fixed rate described in numbered paragraphs 6 and 7 of the Amended Application, the loan must be closed no later than July 20, 2010.

Sincerely,



Melissa D. Yates
Attorney for Jackson Purchase Energy Corporation

Enclosures

125644

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 18 2010
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF JACKSON PURCHASE ENERGY)
CORPORATION FOR AUTHORIZATION TO)
REFINANCE FROM COBANK AND EXECUTE) CASE NO. 2010-00229
NECESSARY NOTES)

SECOND AMENDED APPLICATION

An application proposing to accomplish refinancing of certain indebtedness was submitted to the Commission under the above case number on June 8, 2010. By letter of June 14, 2010, the Commission gave notice that the application was rejected because the application did not meet certain regulations. This Amended Application is filed in compliance with the requirements of the regulations cited in that letter.

1. JPEC is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member consumers in the Kentucky counties of Ballard, Carlisle, Graves, Livingston, Marshall and McCracken. See 807 KAR 5:001, Section 8(1).

2. JPEC's post office address is Post Office Box 4030, Paducah, Kentucky 42002-4030. See 807 KAR 5:001, Section 8 (1).

3. A certified copy of the Articles of Incorporation of JPEC and all amendments thereto were previously filed with the Commission in Case No. 2007-116, In The Matter of: Adjustment of Rates of Jackson Purchase Energy Corporation. Accordingly, reference is made thereto. See 807 KAR 5:001, Section 8 (3)

4. As of April 30, 2010, JPEC serves 29,090 member consumers. It has 2,903 miles of distribution lines in its six county service territory, and owns additional facilities necessary to support this distribution system. The total original cost of these distribution lines and additional facilities as of April 30, 2010, is \$129,141,733. See 807 KAR 5:001, Section 11 (1)(a).

5. JPEC is not seeking authorization to issue any kind of stock as part of this application. See 807 KAR 5:001, Section 11(1)(b).

6. JPEC seeks to borrow from CoBank \$5,921,753 and execute notes in conjunction with this borrowing from CoBank. The CoBank loan will be for a period of sixteen (16) years and bear a fixed interest rate equal to or less than 4.69%. The note will be secured by virtue of a mortgage and security agreement. A more detailed analysis of the proposed loan can be found in Exhibit 1 attached hereto and incorporated herein by reference. See 807 KAR 5:001, Section 11 (1)(b).

7. JPEC will use the proceeds from the CoBank loan described in Numbered Paragraph 6 to repay various RUS loans which bear an interest rate of five percent (5%). The purpose of the present loan is simply to refinance JPEC's existing indebtedness, which will result in savings to JPEC and its members. A listing of all RUS loans to be paid with the CoBank funds referenced in Numbered Paragraphs 6 and 7 can be found in Exhibit 2 attached hereto and incorporated herein by reference. See 807 KAR 5:001, Section 11(1)(c).

8. JPEC also seeks to borrow from CoBank a total of \$3,353,647 and execute notes in conjunction with this borrowing from CoBank. This CoBank Loan would be for a period of nineteen (19) years and bear a fixed interest rate not to exceed 4.9%. This note would be secured by virtue of a mortgage and security agreement. A more detailed analysis of this loan can be found in Exhibit 3 attached hereto and incorporated herein by reference. See 807 KAR 5:001,

Section 11 (1)(b). JPEC is hopeful, based on market conditions, that it may be able to procure this loan for a lower interest rate than 4.9%.

9. JPEC proposes to use the proceeds from the CoBank loan described in Numbered Paragraph 8 to repay various RUS loans which bear an interest rate of five percent (5%). The purpose of the present loan is simply to refinance JPEC's existing indebtedness, which will result in savings to JPEC and its members. If JPEC is unable to secure an interest rate less than 4.9%, then JPEC will not close on the loan described in Numbered Paragraphs 8 and 9. A listing of all RUS loans proposed to be paid with the CoBank funds, can be found in Exhibit 4 attached hereto and incorporated herein by reference. See 807 KAR 5:001, Section 11(1)(c).

10. The financial exhibit required by 807 KAR 5:001, Section 11(2)(a) is attached hereto and incorporated herein by reference as Exhibit 5.

11. JPEC's outstanding mortgages are attached hereto and incorporated herein by reference as Exhibit 6. As reflected by Exhibit 6:

- i) The date of the mortgage is February 21, 2007;
- ii) The names of the Mortgagors are Rural Utilities Service, National Rural Utilities Cooperative Finance Corporation and CoBank, ACB.
- iii) The maximum indebtedness authorized by the mortgage is \$100,000,000.00. The actual indebtedness secured by the mortgage is described in detail in Exhibit 7, attached hereto and incorporated herein.
- iv) The mortgage does not contain a sinking fund provision.

12. All outstanding notes, including date of issue, amount, date of maturity, rate of interest, in whose favor, together with the amount of interest paid thereon during the last fiscal year, is contained in Exhibit 7 attached hereto and incorporated herein by reference.

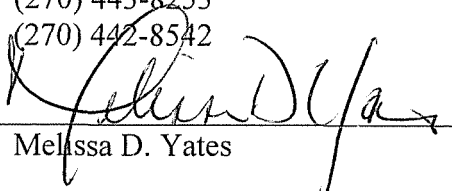
13. As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 11 (2)(c) is not applicable.

WHEREFORE, JPEC respectfully requests that the Commission issue an Order authorizing JPEC to execute and issue evidences of indebtedness as security for the CoBank loan described herein, and for any other relief to which it may be entitled.

Dated this 17th day of June, 2010.

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By:


Melissa D. Yates

ATTORNEYS FOR JACKSON PURCHASE
ENERGY CORPORATION

VERIFICATION

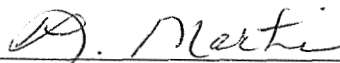
Pursuant to KRS 278.300(2), the undersigned, G KELLY NUCKOLS, being first duly sworn states that he is the President and Chief Executive Officer of Jackson Purchase Energy Corporation, that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.


G. Kelly Nuckols

STATE OF KENTUCKY)
COUNTY OF McCracken)

Subscribed, sworn to, and acknowledged before me by G. Kelly Nuckols, this the 17th day of June, 2010.

My commission expires 9/1/2013.


Notary Public, State at Large #403713
(SEAL)

Jackson Purchase Energy Corp.

**RUS Refinancing Term Loan
\$5,921,753**

May 28, 2010

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- 4. Closing Procedures**

Executive Summary

Jackson Purchase Energy Corp. (Jackson Purchase) currently holds approximately \$5.9 million in RUS debt at an interest rate of 5%, which would qualify for CoBank refinancing at a life time fixed rate currently of 4.69%. At such a rate, CoBank's patronage refunds would result in an effective rate of approximately 3.97%, an effective savings of 72 basis points. The total projected savings amounts to \$498,743 with a present value of \$329,613. CoBank requests Jackson Purchase's consideration as lender for these loans. Such refinancing of mortgage debt is permitted by RUS under Article II, Section 2.02 of the Mortgage.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), a side by side comparison of the RUS loans' interest cost versus CoBank's loan interest cost and patronage payments (Tab 2), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing (Tab 3) and a summary of anticipated closing procedures (Tab 4).

We propose to consolidate the nine RUS notes into a single note with a principal repayment schedule matching the consolidated scheduled principal payments of all of the RUS refinanced notes (16.35 years). This would decrease Jackson Purchase's administration while, at the same time, not increase principal debt service.

CoBank is pleased to have this opportunity to present this information as part of its effort to find innovative ways for Jackson Purchase to enhance its success. This booklet is not a commitment to lend or an offer to make a loan. A commitment shall be in the form of a loan agreement upon receipt of an acceptable application, resolution, and other documentation as required by CoBank. Thank you for your consideration.

RUS notes proposed for refinancing:

Note ID	Principal Balance	Final Payment Date	Years Remaining	Weighted Average Life
1B260	340,786.44	05/31/2017	6.92	3.94
1B262	340,787.65	05/31/2017	6.92	3.94
1B270	715,845.63	07/31/2019	9.09	4.84
1B273	737,264.11	07/31/2019	9.09	4.87
1B280	883,302.27	08/31/2023	13.18	7.27
1B281	306.05	08/31/2023	13.18	7.30
1B283	908,427.04	08/31/2023	13.18	7.30
1B290	997,516.84	10/31/2026	16.35	9.24
1B292	997,516.84	10/31/2026	16.35	9.24
Totals	5,921,752.87		16.35	6.92

Interest Savings (over life of notes):

<u>Total Interest RUS @ 5.00%</u>	<u>Total Interest CoBank @ 4.69%</u>	<u>Total Savings</u>
\$2,064,759	\$1,979,093	\$85,666
CoBank Cash Patronage Refund:		\$268,500
CoBank Stock Patronage Refund:		<u>\$144,577</u>
Total Life Time Benefit:		<u>\$498,743</u>
Present Value of Benefit (discounted @ 4.69%)		<u>\$329,613</u>

There are no prepayment penalties arising from prepayment of RUS debt. CoBank would document this transaction using outside counsel to be paid by Jackson Purchase. The estimated cost is \$5,000 and is included in the loan analysis under tab 2 (shown in the column Patronage Refund). The documentation cost is considered in the effective interest rate analysis.

TAB 2

**Jackson Purchase Energy
Annual Summary
Scenario - Matching RUS Principal Repayment**

Loan Amount \$5,921,753
 CoBank Loan Interest Rate 4.69%
 Lifetime Cash Flow Savings \$498,743
 Lifetime CoBank Patronage \$413,077
 Lifetime Interest Savings \$85,666
 Lifetime NPV Benefit \$329,613

	Combined RUS Loans				CoBank Loan					
	Principal Balance	Annual Principal Payment	Annual Interest Payment	Total Ann Cash Flow	Annual Cash Flow Differential	Total Ann Cash Flow	Annual Interest Payment	Annual Principal Payment	Principal Balance	Patronage Refund
2010	\$5,727,880	\$193,873	\$146,037	\$339,910	-\$8,298	\$348,208	-\$154,336	\$193,873	\$5,727,880	\$0
2011	\$5,322,974	\$404,906	\$277,169	\$682,075	\$32,715	\$649,360	\$263,595	\$404,906	\$5,322,974	-\$19,141
2012	\$4,898,127	\$424,847	\$256,488	\$681,333	\$48,587	\$632,746	\$243,925	\$424,847	\$4,898,127	-\$36,026
2013	\$4,450,808	\$447,319	\$234,722	\$682,041	\$44,835	\$637,206	\$223,227	\$447,319	\$4,450,808	-\$33,340
2014	\$3,980,624	\$476,184	\$211,839	\$682,023	\$40,881	\$641,142	\$201,465	\$476,184	\$3,980,624	-\$30,507
2015	\$3,486,406	\$494,218	\$187,786	\$682,004	\$36,728	\$645,276	\$178,590	\$494,218	\$3,486,406	-\$27,532
2016	\$2,967,418	\$518,957	\$162,524	\$681,511	\$32,364	\$649,147	\$154,565	\$518,957	\$2,967,418	-\$24,405
2017	\$2,484,759	\$482,659	\$136,636	\$619,357	\$27,818	\$591,538	\$130,004	\$482,659	\$2,484,759	-\$21,124
2018	\$2,032,846	\$451,913	\$113,962	\$365,875	\$23,344	\$542,531	\$108,381	\$451,913	\$2,032,846	-\$17,763
2019	\$1,648,859	\$383,987	\$91,686	\$475,672	\$19,299	\$456,374	\$87,196	\$383,987	\$1,648,859	-\$14,809
2020	\$1,359,102	\$289,758	\$75,859	\$385,616	\$15,628	\$349,988	\$72,143	\$289,758	\$1,359,102	-\$11,913
2021	\$1,054,287	\$304,815	\$61,026	\$365,840	\$12,848	\$352,992	\$58,037	\$304,815	\$1,054,287	-\$9,859
2022	\$733,873	\$320,409	\$45,433	\$365,842	\$10,154	\$355,688	\$43,200	\$320,409	\$733,878	-\$7,929
2023	\$464,731	\$269,147	\$29,516	\$298,663	\$7,347	\$291,316	\$28,070	\$269,147	\$464,731	-\$5,902
2024	\$304,963	\$159,768	\$19,607	\$179,375	\$4,793	\$174,582	\$18,647	\$159,768	\$304,963	-\$3,833
2025	\$136,956	\$168,007	\$13,431	\$179,438	\$3,108	\$176,330	\$10,872	\$168,007	\$136,956	-\$2,548
2026	\$0	\$136,956	\$2,979	\$139,935	\$26,413	\$113,522	\$2,833	\$136,956	\$0	-\$26,267
2027	\$0	\$0	\$0	\$0	\$26,117	-\$26,117	\$0	\$0	\$0	-\$26,117
2028	\$0	\$0	\$0	\$0	\$21,862	-\$21,862	\$0	\$0	\$0	-\$21,862
2029	\$0	\$0	\$0	\$0	\$18,226	-\$18,226	\$0	\$0	\$0	-\$18,226
2030	\$0	\$0	\$0	\$0	\$14,662	-\$14,662	\$0	\$0	\$0	-\$14,662
2031	\$0	\$0	\$0	\$0	\$12,135	-\$12,135	\$0	\$0	\$0	-\$12,135
2032	\$0	\$0	\$0	\$0	\$9,759	-\$9,759	\$0	\$0	\$0	-\$9,759
2033	\$0	\$0	\$0	\$0	\$7,264	-\$7,264	\$0	\$0	\$0	-\$7,264
2034	\$0	\$0	\$0	\$0	\$4,717	-\$4,717	\$0	\$0	\$0	-\$4,717
2035	\$0	\$0	\$0	\$0	\$3,136	-\$3,136	\$0	\$0	\$0	-\$3,136
2036	\$0	\$0	\$0	\$0	\$1,826	-\$1,826	\$0	\$0	\$0	-\$1,826
2037	\$0	\$0	\$0	\$0	\$474	-\$474	\$0	\$0	\$0	-\$474
2038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2039	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2040	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2041	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2042	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2043	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sum		\$5,921,753	\$2,064,759	\$7,986,512	\$498,743	\$7,487,769	\$1,979,093	\$5,921,753		\$413,077

Scenario - Matching RUS Principal Repayment

EXISTING RUS LOANS

Beginning Loan Balance \$ 5,921,752.87
 Final Payment Date 10/31/26
 Remaining Monthly Pmts 196
 Initial RUS Monthly Pmt \$49,573.35
 Roll Forward Date 06/30/2010

Lifetime Interest \$2,064,759
 Present Value of RUS Cash Flow ~~\$5,921,753~~
 NPV Benefit of Refi = ~~\$129,613~~

CoBANK REFINANCING LOAN

Beginning Loan Balance \$ 5,921,752.87
 Final Payment Date 10/31/26
 Remaining Monthly Pmts 196
 CoBANK Interest Rate 4.69%
 Legal Costs \$15,000

Lifetime Interest \$1,964,093
 Present Value of CoBank Cash Flow ~~\$5,921,753~~
 NPV Benefit of Refi = ~~\$129,613~~

Payment Number	Combined RUS Loans				CoBank Loan				
	Principal Balance	Principal Payment	Interest Payment	Total Cash Flow	Total Cash Flow	Interest Payment	Principal Payment	Principal Balance	Legal Cost/Pat. Refund
06/30/2010	5,921,753							5,921,753	
07/31/2010	5,896,853	\$24,899	\$24,874	\$49,573	\$63,815	\$23,916	\$24,899	5,896,853	\$15,000
08/31/2010	5,851,296	45,557	24,570	70,128	68,924	23,367	45,557	5,851,296	0
09/30/2010	5,825,474	25,822	24,380	50,203	49,009	23,186	25,822	5,825,474	0
10/31/2010	5,800,253	25,221	24,273	49,498	48,305	23,084	25,221	5,800,253	0
11/30/2010	5,753,319	46,954	24,158	71,102	69,918	22,984	46,954	5,753,319	0
12/31/2010	5,727,680	25,439	23,972	49,411	48,237	22,798	25,439	5,727,680	0
01/31/2011	5,702,334	25,547	23,866	49,413	48,244	22,697	25,547	5,702,334	0
02/28/2011	5,653,348	48,986	23,760	72,745	71,582	22,596	48,986	5,653,348	0
03/31/2011	5,627,575	25,773	23,656	49,429	29,033	22,402	25,773	5,627,575	-19,141
04/30/2011	5,601,007	26,568	23,443	50,017	48,668	22,300	26,568	5,601,007	0
05/31/2011	5,553,669	47,338	23,338	70,675	69,532	22,195	47,338	5,553,669	0
06/30/2011	5,526,884	26,784	23,140	49,925	48,792	22,007	26,784	5,526,884	0
07/31/2011	5,500,665	26,219	23,029	49,248	48,120	21,901	26,219	5,500,665	0
08/31/2011	5,452,723	47,942	22,919	70,862	69,799	21,797	47,942	5,452,723	0
09/30/2011	5,425,612	27,191	22,720	49,830	48,718	21,607	27,191	5,425,612	0
10/31/2011	5,399,055	26,558	22,607	49,164	48,057	21,500	26,558	5,399,055	0
11/30/2011	5,349,761	49,294	22,496	71,790	70,688	21,394	49,294	5,349,761	0
12/31/2011	5,322,974	26,786	22,291	49,077	47,985	21,199	26,786	5,322,974	0
01/31/2012	5,296,074	26,900	22,179	49,079	47,993	21,093	26,900	5,296,074	0
02/29/2012	5,245,524	50,550	22,067	72,617	71,537	20,986	50,550	5,245,524	0
03/31/2012	5,218,389	27,135	21,856	48,991	11,895	20,786	27,135	5,218,389	-36,026
04/30/2012	5,190,437	27,892	21,743	49,635	48,570	20,678	27,892	5,190,437	0
05/31/2012	5,140,688	49,909	21,627	71,436	70,377	20,568	49,909	5,140,688	0
06/30/2012	5,112,569	28,119	21,420	49,539	48,490	20,371	28,119	5,112,569	0
07/31/2012	5,084,965	27,604	21,302	48,906	47,863	20,259	27,604	5,084,965	0
08/31/2012	5,034,520	50,445	21,187	71,632	70,595	20,150	50,445	5,034,520	0
09/30/2012	5,006,058	28,462	20,977	49,439	48,412	19,950	28,462	5,006,058	0
10/31/2012	4,978,098	27,960	20,859	48,818	47,797	19,837	27,960	4,978,098	0
11/30/2012	4,926,328	51,771	20,742	72,513	71,497	19,726	51,771	4,926,328	0
12/31/2012	4,898,127	28,200	20,526	48,727	47,721	19,521	28,200	4,898,127	0
01/31/2013	4,869,807	28,320	20,409	48,729	47,730	19,409	28,320	4,869,807	0
02/28/2013	4,816,128	53,679	20,291	73,970	72,976	19,297	53,679	4,816,128	0
03/31/2013	4,787,559	28,569	20,067	48,636	14,313	19,084	28,569	4,787,559	-33,340
04/30/2013	4,758,274	29,266	19,948	49,234	48,257	18,971	29,266	4,758,274	0
05/31/2013	4,705,863	52,411	19,826	72,237	71,266	18,855	52,411	4,705,863	0
06/30/2013	4,676,338	29,524	19,608	49,132	48,172	18,648	29,524	4,676,338	0
07/31/2013	4,647,276	29,062	19,485	48,547	47,593	18,531	29,062	4,647,276	0
08/31/2013	4,594,197	53,079	19,364	72,443	71,495	18,415	53,079	4,594,197	0
09/30/2013	4,564,312	29,885	19,142	49,028	48,090	18,205	29,885	4,564,312	0
10/31/2013	4,534,875	29,437	19,018	48,454	47,523	18,087	29,437	4,534,875	0
11/30/2013	4,485,498	54,378	18,895	73,273	72,347	17,970	54,378	4,485,498	0
12/31/2013	4,450,808	29,689	18,669	48,358	47,444	17,754	29,689	4,450,808	0
01/31/2014	4,420,993	29,816	18,545	48,361	47,452	17,637	29,816	4,420,993	0
02/28/2014	4,364,784	56,209	18,421	74,630	73,728	17,519	56,209	4,364,784	0
03/31/2014	4,334,707	30,076	18,187	48,263	16,865	17,296	30,076	4,334,707	-30,507
04/30/2014	4,303,956	30,751	18,061	48,812	47,928	17,177	30,751	4,303,956	0
05/31/2014	4,248,811	55,145	17,933	73,078	72,200	17,055	55,145	4,248,811	0
06/30/2014	4,217,810	31,002	17,793	48,795	47,838	16,836	31,002	4,217,810	0
07/31/2014	4,187,214	30,595	17,574	48,169	47,309	16,714	30,595	4,187,214	0
08/31/2014	4,131,366	55,848	17,447	73,295	72,441	16,592	55,848	4,131,366	0
09/30/2014	4,099,985	31,381	17,214	48,595	47,752	16,371	31,381	4,099,985	0
10/31/2014	4,068,996	30,989	17,083	48,072	47,235	16,247	30,989	4,068,996	0
11/30/2014	4,011,879	57,118	16,954	74,072	73,241	16,124	57,118	4,011,879	0
12/31/2014	3,980,624	31,255	16,716	47,971	47,152	15,899	31,255	3,980,624	0
01/31/2015	3,949,236	31,388	16,586	47,973	47,161	15,774	31,388	3,949,236	0
02/28/2015	3,890,368	58,868	16,455	75,323	74,517	15,649	58,868	3,890,368	0
03/31/2015	3,858,707	31,661	16,210	47,871	19,545	15,416	31,661	3,858,707	-27,532
04/30/2015	3,826,416	32,291	16,078	48,369	47,581	15,291	32,291	3,826,416	0
05/31/2015	3,768,397	58,019	15,943	73,962	73,182	15,163	58,019	3,768,397	0
06/30/2015	3,735,843	32,555	15,702	48,256	47,488	14,933	32,555	3,735,843	0
07/31/2015	3,703,636	32,207	15,566	47,773	47,010	14,804	32,207	3,703,636	0
08/31/2015	3,644,878	58,758	15,432	74,190	73,435	14,676	58,758	3,644,878	0
09/30/2015	3,611,924	32,954	15,187	48,141	47,337	14,443	32,954	3,611,924	0
10/31/2015	3,579,303	32,621	15,059	47,670	46,933	14,313	32,621	3,579,303	0
11/30/2015	3,519,306	59,997	14,914	74,911	74,181	14,183	59,997	3,519,306	0

08/31/2023	158	516,234	23,145	2,247	25,392	25,282	2,137	23,145	516,234	0
09/30/2023	159	503,403	12,830	2,151	14,981	14,876	2,046	12,830	503,403	0
10/31/2023	160	490,590	12,818	2,036	14,811	14,809	1,995	12,814	490,590	0
11/30/2023	161	477,654	12,936	2,044	14,980	14,880	1,984	12,936	477,654	0
12/31/2023	162	464,731	12,923	1,930	14,913	14,816	1,893	12,923	464,731	0
01/31/2024	163	451,753	12,978	1,535	14,914	14,820	1,842	12,978	451,753	0
02/29/2024	164	438,596	13,157	1,882	15,039	14,947	1,790	13,157	438,596	0
03/31/2024	165	425,507	13,089	1,827	14,917	10,994	1,738	13,089	425,507	-3,833
04/30/2024	166	412,304	13,203	1,773	14,976	14,889	1,686	13,203	412,304	0
05/31/2024	167	399,103	13,201	1,710	14,919	14,835	1,634	13,201	399,103	0
06/30/2024	168	385,791	13,312	1,663	14,974	14,893	1,581	13,312	385,791	0
07/31/2024	169	372,478	13,313	1,607	14,921	14,842	1,529	13,313	372,478	0
08/31/2024	170	359,108	13,370	1,552	14,922	14,846	1,476	13,370	359,108	0
09/30/2024	171	345,632	13,476	1,496	14,972	14,899	1,423	13,476	345,632	0
10/31/2024	172	332,148	13,484	1,440	14,924	14,853	1,370	13,484	332,148	0
11/30/2024	173	318,562	13,587	1,384	14,971	14,903	1,316	13,587	318,562	0
12/31/2024	174	304,963	13,699	1,327	14,926	14,861	1,262	13,699	304,963	0
01/31/2025	175	291,366	13,657	1,271	14,927	14,865	1,208	13,657	291,366	0
02/28/2025	176	277,472	13,634	1,214	15,048	14,989	1,154	13,634	277,472	0
03/31/2025	177	263,699	13,773	1,156	14,929	12,325	1,100	13,773	263,699	-2,548
04/30/2025	178	249,831	13,868	1,099	14,967	14,913	1,045	13,868	249,831	0
05/31/2025	179	235,940	13,831	1,044	14,932	14,881	990	13,831	235,940	0
06/30/2025	180	221,958	13,982	983	14,955	14,917	935	13,982	221,958	0
07/31/2025	181	207,949	14,069	925	14,934	14,889	880	14,069	207,949	0
08/31/2025	182	193,880	14,069	866	14,935	14,893	824	14,069	193,880	0
09/30/2025	183	179,725	14,155	808	14,953	14,823	768	14,155	179,725	0
10/31/2025	184	165,537	14,188	749	14,927	14,901	712	14,188	165,537	0
11/30/2025	185	151,266	14,271	690	14,960	14,927	656	14,271	151,266	0
12/31/2025	186	136,956	14,309	630	14,940	14,909	599	14,309	136,956	0
01/31/2026	187	122,586	14,370	571	14,944	14,913	543	14,370	122,586	0
02/28/2026	188	108,105	14,481	511	14,992	14,967	486	14,481	108,105	0
03/31/2026	189	93,612	14,493	450	14,943	11,346	428	14,493	93,612	-26,267
04/30/2026	190	79,045	14,567	390	14,957	14,938	371	14,567	79,045	0
05/31/2026	191	64,429	14,616	329	14,945	14,929	313	14,616	64,429	0
06/30/2026	192	49,743	14,687	268	14,955	14,942	255	14,687	49,743	0
07/31/2026	193	35,002	14,740	207	14,948	14,938	197	14,740	35,002	0
08/31/2026	194	20,199	14,803	146	14,949	14,942	139	14,803	20,199	0
09/30/2026	195	5,331	14,869	84	14,953	14,949	80	14,869	5,331	0
10/31/2026	196	0	5,331	22	5,353	5,352	21	5,331	0	0
11/30/2026	197	0	0	0	0	0	0	0	0	0
12/31/2026	198	0	0	0	0	0	0	0	0	0
01/31/2027	199	0	0	0	0	0	0	0	0	0
02/28/2027	200	0	0	0	0	0	0	0	0	0
03/31/2027	201	0	0	0	0	-26,117	0	0	0	-26,117
04/30/2027	202	0	0	0	0	0	0	0	0	0
05/31/2027	203	0	0	0	0	0	0	0	0	0
06/30/2027	204	0	0	0	0	0	0	0	0	0
07/31/2027	205	0	0	0	0	0	0	0	0	0
08/31/2027	206	0	0	0	0	0	0	0	0	0
09/30/2027	207	0	0	0	0	0	0	0	0	0
10/31/2027	208	0	0	0	0	0	0	0	0	0
11/30/2027	209	0	0	0	0	0	0	0	0	0
12/31/2027	210	0	0	0	0	0	0	0	0	0
01/31/2028	211	0	0	0	0	0	0	0	0	0
02/29/2028	212	0	0	0	0	0	0	0	0	0
03/31/2028	213	0	0	0	0	-21,862	0	0	0	-21,862
04/30/2028	214	0	0	0	0	0	0	0	0	0
05/31/2028	215	0	0	0	0	0	0	0	0	0
06/30/2028	216	0	0	0	0	0	0	0	0	0
07/31/2028	217	0	0	0	0	0	0	0	0	0
08/31/2028	218	0	0	0	0	0	0	0	0	0
09/30/2028	219	0	0	0	0	0	0	0	0	0
10/31/2028	220	0	0	0	0	0	0	0	0	0
11/30/2028	221	0	0	0	0	0	0	0	0	0
12/31/2028	222	0	0	0	0	0	0	0	0	0
01/31/2029	223	0	0	0	0	0	0	0	0	0
02/28/2029	224	0	0	0	0	0	0	0	0	0
03/31/2029	225	0	0	0	0	-18,226	0	0	0	-18,226
04/30/2029	226	0	0	0	0	0	0	0	0	0
05/31/2029	227	0	0	0	0	0	0	0	0	0
06/30/2029	228	0	0	0	0	0	0	0	0	0
07/31/2029	229	0	0	0	0	0	0	0	0	0
08/31/2029	230	0	0	0	0	0	0	0	0	0
09/30/2029	231	0	0	0	0	0	0	0	0	0
10/31/2029	232	0	0	0	0	0	0	0	0	0
11/30/2029	233	0	0	0	0	0	0	0	0	0
12/31/2029	234	0	0	0	0	0	0	0	0	0
01/31/2030	235	0	0	0	0	0	0	0	0	0
02/28/2030	236	0	0	0	0	0	0	0	0	0
03/31/2030	237	0	0	0	0	-14,662	0	0	0	-14,662
04/30/2030	238	0	0	0	0	0	0	0	0	0
05/31/2030	239	0	0	0	0	0	0	0	0	0
06/30/2030	240	0	0	0	0	0	0	0	0	0
07/31/2030	241	0	0	0	0	0	0	0	0	0
08/31/2030	242	0	0	0	0	0	0	0	0	0
09/30/2030	243	0	0	0	0	0	0	0	0	0
10/31/2030	244	0	0	0	0	0	0	0	0	0
11/30/2030	245	0	0	0	0	0	0	0	0	0
12/31/2030	246	0	0	0	0	0	0	0	0	0
01/31/2031	247	0	0	0	0	0	0	0	0	0
02/28/2031	248	0	0	0	0	0	0	0	0	0
03/31/2031	249	0	0	0	0	-12,135	0	0	0	-12,135

EXHIBIT 1

04/30/2031	250	0	0	0	0	0	0	0	0	0	0
05/31/2031	251	0	0	0	0	0	0	0	0	0	0
06/30/2031	252	0	0	0	0	0	0	0	0	0	0
07/31/2031	253	0	0	0	0	0	0	0	0	0	0
08/31/2031	254	0	0	0	0	0	0	0	0	0	0
09/30/2031	255	0	0	0	0	0	0	0	0	0	0
10/31/2031	256	0	0	0	0	0	0	0	0	0	0
11/30/2031	257	0	0	0	0	0	0	0	0	0	0
12/31/2031	258	0	0	0	0	0	0	0	0	0	0
01/31/2032	259	0	0	0	0	0	0	0	0	0	0
02/29/2032	260	0	0	0	0	0	0	0	0	0	0
03/31/2032	261	0	0	0	0	0	0	0	0	0	0
04/30/2032	262	0	0	0	0	0	9,759	0	0	0	9,759
05/31/2032	263	0	0	0	0	0	0	0	0	0	0
06/30/2032	264	0	0	0	0	0	0	0	0	0	0
07/31/2032	265	0	0	0	0	0	0	0	0	0	0
08/31/2032	266	0	0	0	0	0	0	0	0	0	0
09/30/2032	267	0	0	0	0	0	0	0	0	0	0
10/31/2032	268	0	0	0	0	0	0	0	0	0	0
11/30/2032	269	0	0	0	0	0	0	0	0	0	0
12/31/2032	270	0	0	0	0	0	0	0	0	0	0
01/31/2033	271	0	0	0	0	0	0	0	0	0	0
02/28/2033	272	0	0	0	0	0	0	0	0	0	0
03/31/2033	273	0	0	0	0	0	7,264	0	0	0	7,264
04/30/2033	274	0	0	0	0	0	0	0	0	0	0
05/31/2033	275	0	0	0	0	0	0	0	0	0	0
06/30/2033	276	0	0	0	0	0	0	0	0	0	0
07/31/2033	277	0	0	0	0	0	0	0	0	0	0
08/31/2033	278	0	0	0	0	0	0	0	0	0	0
09/30/2033	279	0	0	0	0	0	0	0	0	0	0
10/31/2033	280	0	0	0	0	0	0	0	0	0	0
11/30/2033	281	0	0	0	0	0	0	0	0	0	0
12/31/2033	282	0	0	0	0	0	0	0	0	0	0
01/31/2034	283	0	0	0	0	0	0	0	0	0	0
02/28/2034	284	0	0	0	0	0	0	0	0	0	0
03/31/2034	285	0	0	0	0	0	-4,717	0	0	0	-4,717
04/30/2034	286	0	0	0	0	0	0	0	0	0	0
05/31/2034	287	0	0	0	0	0	0	0	0	0	0
06/30/2034	288	0	0	0	0	0	0	0	0	0	0
07/31/2034	289	0	0	0	0	0	0	0	0	0	0
08/31/2034	290	0	0	0	0	0	0	0	0	0	0
09/30/2034	291	0	0	0	0	0	0	0	0	0	0
10/31/2034	292	0	0	0	0	0	0	0	0	0	0
11/30/2034	293	0	0	0	0	0	0	0	0	0	0
12/31/2034	294	0	0	0	0	0	0	0	0	0	0
01/31/2035	295	0	0	0	0	0	0	0	0	0	0
02/28/2035	296	0	0	0	0	0	0	0	0	0	0
03/31/2035	297	0	0	0	0	0	-3,136	0	0	0	-3,136
04/30/2035	298	0	0	0	0	0	0	0	0	0	0
05/31/2035	299	0	0	0	0	0	0	0	0	0	0
06/30/2035	300	0	0	0	0	0	0	0	0	0	0
07/31/2035	301	0	0	0	0	0	0	0	0	0	0
08/31/2035	302	0	0	0	0	0	0	0	0	0	0
09/30/2035	303	0	0	0	0	0	0	0	0	0	0
10/31/2035	304	0	0	0	0	0	0	0	0	0	0
11/30/2035	305	0	0	0	0	0	0	0	0	0	0
12/31/2035	306	0	0	0	0	0	0	0	0	0	0
01/31/2036	307	0	0	0	0	0	0	0	0	0	0
02/29/2036	308	0	0	0	0	0	0	0	0	0	0
03/31/2036	309	0	0	0	0	0	-1,826	0	0	0	-1,826
04/30/2036	310	0	0	0	0	0	0	0	0	0	0
05/31/2036	311	0	0	0	0	0	0	0	0	0	0
06/30/2036	312	0	0	0	0	0	0	0	0	0	0
07/31/2036	313	0	0	0	0	0	0	0	0	0	0
08/31/2036	314	0	0	0	0	0	0	0	0	0	0
09/30/2036	315	0	0	0	0	0	0	0	0	0	0
10/31/2036	316	0	0	0	0	0	0	0	0	0	0
11/30/2036	317	0	0	0	0	0	0	0	0	0	0
12/31/2036	318	0	0	0	0	0	0	0	0	0	0
01/31/2037	319	0	0	0	0	0	0	0	0	0	0
02/28/2037	320	0	0	0	0	0	0	0	0	0	0
03/31/2037	321	0	0	0	0	0	0	0	0	0	0
04/30/2037	322	0	0	0	0	0	-474	0	0	0	-474
05/31/2037	323	0	0	0	0	0	0	0	0	0	0
06/30/2037	324	0	0	0	0	0	0	0	0	0	0
07/31/2037	325	0	0	0	0	0	0	0	0	0	0
08/31/2037	326	0	0	0	0	0	0	0	0	0	0
09/30/2037	327	0	0	0	0	0	0	0	0	0	0
10/31/2037	328	0	0	0	0	0	0	0	0	0	0
11/30/2037	329	0	0	0	0	0	0	0	0	0	0
12/31/2037	330	0	0	0	0	0	0	0	0	0	0
01/31/2038	331	0	0	0	0	0	0	0	0	0	0
02/28/2038	332	0	0	0	0	0	0	0	0	0	0
03/31/2038	333	0	0	0	0	0	0	0	0	0	0
04/30/2038	334	0	0	0	0	0	0	0	0	0	0
05/31/2038	335	0	0	0	0	0	0	0	0	0	0
06/30/2038	336	0	0	0	0	0	0	0	0	0	0
07/31/2038	337	0	0	0	0	0	0	0	0	0	0
08/31/2038	338	0	0	0	0	0	0	0	0	0	0
09/30/2038	339	0	0	0	0	0	0	0	0	0	0
10/31/2038	340	0	0	0	0	0	0	0	0	0	0
11/30/2038	341	0	0	0	0	0	0	0	0	0	0

12/31/2036	342	0	0	0	0	0	0	0	0	0	0
01/31/2039	343	0	0	0	0	0	0	0	0	0	0
02/28/2039	344	0	0	0	0	0	0	0	0	0	0
03/31/2039	345	0	0	0	0	0	0	0	0	0	0
04/30/2039	346	0	0	0	0	0	0	0	0	0	0
05/31/2039	347	0	0	0	0	0	0	0	0	0	0
06/30/2039	348	0	0	0	0	0	0	0	0	0	0
07/31/2039	349	0	0	0	0	0	0	0	0	0	0
08/31/2039	350	0	0	0	0	0	0	0	0	0	0
09/30/2039	351	0	0	0	0	0	0	0	0	0	0
10/31/2039	352	0	0	0	0	0	0	0	0	0	0
11/30/2039	353	0	0	0	0	0	0	0	0	0	0
12/31/2039	354	0	0	0	0	0	0	0	0	0	0
01/31/2040	355	0	0	0	0	0	0	0	0	0	0
02/29/2040	356	0	0	0	0	0	0	0	0	0	0
03/31/2040	357	0	0	0	0	0	0	0	0	0	0
04/30/2040	358	0	0	0	0	0	0	0	0	0	0
05/31/2040	359	0	0	0	0	0	0	0	0	0	0
06/30/2040	360	0	0	0	0	0	0	0	0	0	0
07/31/2040	361	0	0	0	0	0	0	0	0	0	0
08/31/2040	362	0	0	0	0	0	0	0	0	0	0
09/30/2040	363	0	0	0	0	0	0	0	0	0	0
10/31/2040	364	0	0	0	0	0	0	0	0	0	0
11/30/2040	365	0	0	0	0	0	0	0	0	0	0
12/31/2040	366	0	0	0	0	0	0	0	0	0	0
01/31/2041	367	0	0	0	0	0	0	0	0	0	0
02/28/2041	368	0	0	0	0	0	0	0	0	0	0
03/31/2041	369	0	0	0	0	0	0	0	0	0	0
04/30/2041	370	0	0	0	0	0	0	0	0	0	0
05/31/2041	371	0	0	0	0	0	0	0	0	0	0
06/30/2041	372	0	0	0	0	0	0	0	0	0	0
07/31/2041	373	0	0	0	0	0	0	0	0	0	0
08/31/2041	374	0	0	0	0	0	0	0	0	0	0
09/30/2041	375	0	0	0	0	0	0	0	0	0	0
10/31/2041	376	0	0	0	0	0	0	0	0	0	0
11/30/2041	377	0	0	0	0	0	0	0	0	0	0
12/31/2041	378	0	0	0	0	0	0	0	0	0	0
01/31/2042	379	0	0	0	0	0	0	0	0	0	0
02/28/2042	380	0	0	0	0	0	0	0	0	0	0
03/31/2042	381	0	0	0	0	0	0	0	0	0	0
04/30/2042	382	0	0	0	0	0	0	0	0	0	0
05/31/2042	383	0	0	0	0	0	0	0	0	0	0
06/30/2042	384	0	0	0	0	0	0	0	0	0	0
07/31/2042	385	0	0	0	0	0	0	0	0	0	0
08/31/2042	386	0	0	0	0	0	0	0	0	0	0
09/30/2042	387	0	0	0	0	0	0	0	0	0	0
10/31/2042	388	0	0	0	0	0	0	0	0	0	0
11/30/2042	389	0	0	0	0	0	0	0	0	0	0
12/31/2042	390	0	0	0	0	0	0	0	0	0	0
01/31/2043	391	0	0	0	0	0	0	0	0	0	0
02/28/2043	392	0	0	0	0	0	0	0	0	0	0
03/31/2043	393	0	0	0	0	0	0	0	0	0	0
04/30/2043	394	0	0	0	0	0	0	0	0	0	0
05/31/2043	395	0	0	0	0	0	0	0	0	0	0
06/30/2043	396	0	0	0	0	0	0	0	0	0	0
07/31/2043	397	0	0	0	0	0	0	0	0	0	0
08/31/2043	398	0	0	0	0	0	0	0	0	0	0
09/30/2043	399	0	0	0	0	0	0	0	0	0	0
10/31/2043	400	0	0	0	0	0	0	0	0	0	0
11/30/2043	401	0	0	0	0	0	0	0	0	0	0
12/31/2043	402	0	0	0	0	0	0	0	0	0	0
01/31/2044	403	0	0	0	0	0	0	0	0	0	0
02/29/2044	404	0	0	0	0	0	0	0	0	0	0
03/31/2044	405	0	0	0	0	0	0	0	0	0	0
04/30/2044	406	0	0	0	0	0	0	0	0	0	0
05/31/2044	407	0	0	0	0	0	0	0	0	0	0
06/30/2044	408	0	0	0	0	0	0	0	0	0	0
07/31/2044	409	0	0	0	0	0	0	0	0	0	0
08/31/2044	410	0	0	0	0	0	0	0	0	0	0
09/30/2044	411	0	0	0	0	0	0	0	0	0	0
10/31/2044	412	0	0	0	0	0	0	0	0	0	0
11/30/2044	413	0	0	0	0	0	0	0	0	0	0
12/31/2044	414	0	0	0	0	0	0	0	0	0	0
01/31/2045	415	0	0	0	0	0	0	0	0	0	0
02/28/2045	416	0	0	0	0	0	0	0	0	0	0
03/31/2045	417	0	0	0	0	0	0	0	0	0	0
04/30/2045	418	0	0	0	0	0	0	0	0	0	0
05/31/2045	419	0	0	0	0	0	0	0	0	0	0
06/30/2045	420	0	0	0	0	0	0	0	0	0	0
07/31/2045	421	0	0	0	0	0	0	0	0	0	0
08/31/2045	422	0	0	0	0	0	0	0	0	0	0
09/30/2045	423	0	0	0	0	0	0	0	0	0	0
10/31/2045	424	0	0	0	0	0	0	0	0	0	0
11/30/2045	425	0	0	0	0	0	0	0	0	0	0
12/31/2045	426	0	0	0	0	0	0	0	0	0	0
01/31/2046	427	0	0	0	0	0	0	0	0	0	0
02/28/2046	428	0	0	0	0	0	0	0	0	0	0
03/31/2046	429	0	0	0	0	0	0	0	0	0	0
04/30/2046	430	0	0	0	0	0	0	0	0	0	0
05/31/2046	431	0	0	0	0	0	0	0	0	0	0

Sum		5,921,753	2,064,759	7,986,512	7,487,769	1,964,093	5,921,753	-398,077
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EXHIBIT 1

TAB 3



Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projections are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Jackson Purchase Energy
Schedule	Matching RUS Principal Repayment
Account Officer	LaDuca
Prepared by	LaDuca
Quote Date	May 28, 2010
Origination Date	June 30, 2010
Amortization Start Date	July 31, 2010
Loan Amount	\$5,921,753
Years to Maturity	16.350
Nominal Interest Rate	4.69%
Estimated Legal Fees (\$)	15,000
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	360
Payment Amount	\$0

Nominal Interest Rate	4.69%
Net Effective Interest Rate	3.97%
Reduction of Interest Rate	0.72%
Patronage Rate	1.00%
% Cash Patronage	65.00%
Initial Capital Purchase Amount	\$0
Target Equity	8.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Avg Loan Balance - 6 years ago	0
Avg Loan Balance - 7 years ago	0
Avg Loan Balance - 8 years ago	0

Borrower: Jackson Purchase Energy

Original Date: Mar 29, 2011
 Maturity Date: June 30, 2019

Schedule: (Fixed) Interest Rate

Maturity: 10/1/2019

1

Year	A	B	C	D	E	F	G	H	I	J	K	L	M
	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	Avg Loan Balance	10 Year Avg Loan Balance	Target Equity
2010	5,921,753	194,873	154,336	0	0	0	5,573,545	10,307	10,307	5,727,880	2,944,838	294,484	23,559
2011	0	404,966	263,595	0	19,141	0	-69,360	19,399	29,706	5,322,974	5,542,454	848,729	67,898
2012	0	424,847	243,925	0	36,026	0	-63,746	17,952	47,658	4,898,127	5,129,217	1,361,651	108,932
2013	0	447,319	223,227	0	33,340	0	-63,706	16,427	64,085	4,450,808	4,693,422	1,830,993	146,479
2014	0	470,184	201,465	0	30,507	0	-64,142	14,825	78,910	3,980,624	4,235,709	2,254,564	180,365
2015	0	494,218	178,590	0	27,532	0	-64,576	13,141	92,051	3,486,406	3,754,599	2,630,024	210,402
2016	0	518,987	154,565	0	24,405	0	-64,917	11,375	103,425	2,967,418	3,249,859	2,955,010	256,401
2017	0	482,659	130,004	0	21,124	0	-591,538	9,565	112,990	2,484,759	2,732,812	3,228,291	258,263
2018	0	451,913	108,381	0	17,763	0	-542,331	7,974	120,964	2,032,846	2,278,267	3,456,118	276,489
2019	0	383,987	87,196	0	14,809	0	-456,374	6,415	127,379	1,648,859	1,832,785	3,639,396	291,152
2020	0	289,758	72,143	0	11,913	0	-349,988	5,309	132,688	1,359,102	1,516,836	3,496,596	279,728
2021	0	404,815	58,037	0	9,859	0	-352,992	4,270	136,957	1,054,287	1,219,858	3,064,336	245,147
2022	0	320,409	43,208	0	7,929	0	-355,688	3,178	140,135	733,878	907,961	2,642,211	211,377
2023	0	269,147	28,070	0	5,902	0	-291,316	2,064	142,199	464,731	589,656	2,231,834	178,547
2024	0	159,768	18,647	0	3,833	0	-174,582	1,372	143,571	304,963	391,961	1,847,459	147,797
2025	0	168,007	10,872	0	2,548	0	-176,330	799	144,376	136,956	228,264	1,494,826	119,586
2026	0	136,956	2,833	0	1,484	0	-113,522	207	119,793	0	59,231	1,175,763	94,061
2027	0	0	0	0	385	24,784	26,117	0	94,061	0	0	902,482	72,199
2028	0	0	0	0	0	21,862	21,862	0	72,199	0	0	674,655	53,972
2029	0	0	0	0	0	18,226	18,226	0	53,972	0	0	491,377	39,310
2030	0	0	0	0	0	14,662	14,662	0	39,310	0	0	339,693	27,175
2031	0	0	0	0	0	12,135	12,135	0	27,175	0	0	217,707	17,417
2032	0	0	0	0	0	9,759	9,759	0	17,417	0	0	126,911	10,153
2033	0	0	0	0	0	7,264	7,264	0	10,153	0	0	67,946	5,436
2034	0	0	0	0	0	4,717	4,717	0	5,436	0	0	28,749	3,300
2035	0	0	0	0	0	3,136	3,136	0	2,300	0	0	5,923	474
2036	0	0	0	0	0	1,826	1,826	0	474	0	0	0	0
2037	0	0	0	0	0	474	474	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
2052	0	0	0	0	0	0	0	0	0	0	0	0	0
2053	0	0	0	0	0	0	0	0	0	0	0	0	0
2054	0	0	0	0	0	0	0	0	0	0	0	0	0
2055	0	0	0	0	0	0	0	0	0	0	0	0	0
2056	0	0	0	0	0	0	0	0	0	0	0	0	0
2057	0	0	0	0	0	0	0	0	0	0	0	0	0

TOTAL: \$5,921,753 \$5,921,753 \$1,979,093 80 \$268,500 \$144,577



Projection of Cash Flows and Effective Interest Rates

The following provides a column-by-column description of CoBank's Loan Rate Model. The Loan Rate Model provides projections of cash flows and effective interest rates based upon the assumptions given for each printout.

- Column C reflects the principal advances on the loan.
- Column E reflects the periodic principal payments.
- Column F reflects the periodic interest payments.
- Column H shows the capital purchases required based upon the assumptions. A new borrower must purchase \$1,000 capital.
- Column I reflects the cash patronage. Total patronage is calculated as a percentage of the one year average loan balance. CoBank is required by statute to pay a minimum of 20 percent patronage capital allocated to a borrower during each year in cash.
- Column J shows capital retirements in cash.
- Column K reflects the net cash flow for the borrower throughout the term of the loan.
- Column L reflects the allocated patronage used to purchase additional capital in CoBank. This represents the balance of the capital allocated each year which was not paid in cash.
- Column M shows the balance of purchased and allocated capital on a cumulative basis each year.
- Column N reflects the loan balance at the end of the year.
- Column O represents the one year average loan balance which is the basis for annual patronage.
- Column P represents average ten year loan balance which is the basis for determining the capital target for the borrower.
- Column Q shows the target equity for the borrower based upon the ten year average loan balance.

TAB 4

Refinancing Process

A refinancing of secured debt is permitted under the RUS Mortgage. Included below is an excerpt from the RUS Mortgage providing for such refinancing. CoBank can provide electronic copies of all CoBank documents.

The specific steps for refinancing RUS notes are:

1. Provide CoBank with your RUS form 613 (Quarterly RUS Statement of Loan Account) in order to analyze notes beneficial to refinance.
2. CoBank completes due diligence and provides loan commitment.
3. Provide notice to RUS of prepayment, designating notes to be prepaid and request for payoff memorandum. This notice must be at least four business days before the desired pay off date.
 - RUS Payoff Information: Direct Loan and Grant Branch (DLGB)
 - Telephone: 314-457-4049 or 314-457-4083
 - Fax: 314-457-4283 or 314-457-4284
 - Email: dlgb@stl.rural.usda.gov
 - Cash Transmittal Questions: Cash Management Branch (CMB)
 - Telephone: 314-457-4021
4. Obtain and forward to CoBank, RUS prepared spreadsheet setting forth principal and interest to be paid off.
5. Apply and obtain any required regulatory approval as defined by applicable state.
6. Provide borrowing resolution and return all executed loan documents to CoBank.
7. Borrower notifies CoBank as to whether prior period amounts due will be delivered to CoBank or if it will be drawn from borrower's CoBank line of credit for final settlement of RUS notes.
8. Principal balance and interest wired by CoBank to RUS paying off notes.
9. Supplemental mortgages filing complete and opinion of counsel delivered to CoBank.

Excerpt from Article II of the RUS Mortgage

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 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.

RUS notes proposed for refinancing:

Note ID	Principal Balance	Final Payment Date	Years Remaining	Weighted Average Life
1B260	340,786.44	05/31/2017	6.92	3.94
1B262	340,787.65	05/31/2017	6.92	3.94
1B270	715,845.63	07/31/2019	9.09	4.84
1B273	737,264.11	07/31/2019	9.09	4.87
1B280	883,302.27	08/31/2023	13.18	7.27
1B281	306.05	08/31/2023	13.18	7.30
1B283	908,427.04	08/31/2023	13.18	7.30
1B290	997,516.84	10/31/2026	16.35	9.24
1B292	997,516.84	10/31/2026	16.35	9.24
Totals	5,921,752.87		16.35	6.92

Interest Savings (over life of notes):

<u>Total Interest RUS @ 5.00%</u>	<u>Total Interest CoBank @ 4.69%</u>	<u>Total Savings</u>
\$2,064,759	\$1,979,093	\$85,666
CoBank Cash Patronage Refund:		\$268,500
CoBank Stock Patronage Refund:		<u>\$144,577</u>
Total Life Time Benefit:		<u>\$498,743</u>
Present Value of Benefit (discounted @ 4.69%)		<u>\$329,613</u>

There are no prepayment penalties arising from prepayment of RUS debt. CoBank would document this transaction using outside counsel to be paid by Jackson Purchase. The estimated cost is \$5,000 and is included in the loan analysis under tab 2 (shown in the column Patronage Refund). The documentation cost is considered in the effective interest rate analysis.

Jackson Purchase Energy Corp.

**RUS Refinancing Term Loan
\$3,344,255**

May 28, 2010

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Executive Summary

- 1. Existing RUS Loan Profile & Summary Analysis**
- 2. Side by Side Comparison of RUS Notes and CoBank Loan**
- 3. CoBank Patronage and Effective Cost of Borrowing - RUS Notes**
- 4. Closing Procedures**

Executive Summary

Jackson Purchase Energy Corp. (Jackson Purchase) currently holds approximately \$3.3 million in RUS debt at an interest rate of 5%, which would qualify for CoBank refinancing at a life time fixed rate currently of 4.90%. At such a rate, CoBank's patronage refunds would result in an effective rate of approximately 4.15%, an effective savings of 75 basis points. The total projected savings amounts to \$367,544 with a present value of \$215,396. CoBank requests Jackson Purchase's consideration as lender for these loans. Such refinancing of mortgage debt is permitted by RUS under Article II, Section 2.02 of the Mortgage.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), a side by side comparison of the RUS loans' interest cost versus CoBank's loan interest cost and patronage payments (Tab 2), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing (Tab 3) and a summary of anticipated closing procedures (Tab 4).

We propose to consolidate the two RUS notes into a single note with a principal repayment schedule matching the consolidated scheduled principal payments of all of the RUS refinanced notes (18.52 years). This would decrease Jackson Purchase's administration while, at the same time, not increase principal debt service.

CoBank is pleased to have this opportunity to present this information as part of its effort to find innovative ways for Jackson Purchase to enhance its success. This booklet is not a commitment to lend or an offer to make a loan. A commitment shall be in the form of a loan agreement upon receipt of an acceptable application, resolution, and other documentation as required by CoBank. Thank you for your consideration.

TAB 1

RUS notes proposed for refinancing:

Note ID	Principal Balance	Final Payment Date	Years Remaining	Weighted Average Life
1B300	1,672,127.52	12/31/2028	18.52	10.63
1B305	1,672,127.52	12/31/2028	18.52	10.63
Totals	3,344,255.04		18.52	10.63

Interest Savings (over life of notes):

<u>Total Interest RUS @ 5.00%</u>	<u>Total Interest CoBank @ 4.90%</u>	<u>Total Savings</u>
\$1,781,756	\$1,770,638	\$11,118
CoBank Cash Patronage Refund:		\$231,677
CoBank Stock Patronage Refund:		<u>\$124,749</u>
Total Life Time Benefit:		<u>\$367,544</u>
Present Value of Benefit (discounted @ 4.90%)		<u>\$215,396</u>

There are no prepayment penalties arising from prepayment of RUS debt. CoBank would document this transaction using outside counsel to be paid by Jackson Purchase.

TAB 2

EXHIBIT 3

**Jackson Purchase Energy
Annual Summary
Scenario - Matching RUS Principal Repayment**

Loan Amount	\$3,344,255
CoBank Loan Interest Rate	4.90%
Lifetime Cash Flow Savings	\$367,544
Lifetime CoBank Patronage	\$356,426
Lifetime Interest Savings	\$11,118
Lifetime NPV Benefit	\$215,396

	Combined RUS Loans				CoBank Loan					
	Principal Balance	Annual Principal Payment	Annual Interest Payment	Total Ann Cash Flow	Annual Cash Flow Differential	Total Ann Cash Flow	Annual Interest Payment	Annual Principal Payment	Principal Balance	Patronage Refund
2010	\$3,288,911	\$55,344	\$83,055	\$138,379	\$265	\$138,114	\$82,770	\$55,344	\$3,288,911	\$0
2011	\$3,172,558	\$115,353	\$161,786	\$278,138	\$11,917	\$266,221	\$160,752	\$115,353	\$3,172,558	\$10,883
2012	\$3,050,704	\$121,854	\$155,852	\$277,705	\$22,026	\$255,679	\$154,856	\$121,854	\$3,050,704	\$21,030
2013	\$2,922,164	\$128,540	\$149,660	\$278,140	\$21,216	\$256,924	\$148,644	\$128,540	\$2,922,164	\$20,260
2014	\$2,787,048	\$135,116	\$143,024	\$278,140	\$20,360	\$257,780	\$142,110	\$135,116	\$2,787,048	\$19,446
2015	\$2,645,019	\$142,029	\$136,112	\$278,141	\$19,461	\$258,680	\$135,242	\$142,029	\$2,645,019	\$18,591
2016	\$2,496,100	\$148,319	\$128,862	\$277,781	\$18,516	\$259,265	\$128,038	\$148,319	\$2,496,100	\$17,693
2017	\$2,339,186	\$156,914	\$121,228	\$278,143	\$17,525	\$260,617	\$120,454	\$156,914	\$2,339,186	\$16,751
2018	\$2,174,243	\$164,942	\$113,201	\$278,143	\$16,481	\$261,663	\$112,478	\$164,942	\$2,174,243	\$15,757
2019	\$2,000,862	\$173,381	\$104,763	\$278,144	\$15,383	\$262,761	\$104,094	\$173,381	\$2,000,862	\$14,714
2020	\$1,818,834	\$181,968	\$95,905	\$277,873	\$14,229	\$263,644	\$95,292	\$181,968	\$1,818,834	\$13,617
2021	\$1,627,333	\$191,561	\$86,585	\$278,148	\$13,020	\$265,127	\$86,032	\$191,561	\$1,627,333	\$12,466
2022	\$1,425,971	\$201,362	\$76,785	\$278,147	\$11,744	\$266,403	\$76,295	\$201,362	\$1,425,971	\$11,253
2023	\$1,214,306	\$211,664	\$66,484	\$278,148	\$10,404	\$267,744	\$66,060	\$211,664	\$1,214,306	\$9,979
2024	\$991,984	\$222,322	\$55,663	\$277,986	\$8,996	\$268,990	\$55,308	\$222,322	\$991,984	\$8,640
2025	\$758,116	\$233,668	\$44,283	\$278,161	\$7,517	\$270,633	\$44,000	\$233,668	\$758,116	\$7,235
2026	\$512,284	\$245,833	\$32,319	\$278,152	\$5,960	\$272,192	\$32,113	\$245,833	\$512,284	\$5,754
2027	\$253,873	\$258,410	\$19,743	\$278,153	\$4,324	\$273,829	\$19,617	\$258,410	\$253,873	\$4,198
2028	\$0	\$253,874	\$6,525	\$260,393	\$15,614	\$244,785	\$6,484	\$253,874	\$0	\$15,572
2029	\$0	\$0	\$0	\$0	\$18,370	-\$18,370	\$0	\$0	\$0	\$18,370
2030	\$0	\$0	\$0	\$0	\$16,759	-\$16,759	\$0	\$0	\$0	\$16,759
2031	\$0	\$0	\$0	\$0	\$15,343	-\$15,343	\$0	\$0	\$0	\$15,343
2032	\$0	\$0	\$0	\$0	\$13,850	-\$13,850	\$0	\$0	\$0	\$13,850
2033	\$0	\$0	\$0	\$0	\$12,282	-\$12,282	\$0	\$0	\$0	\$12,282
2034	\$0	\$0	\$0	\$0	\$10,634	-\$10,634	\$0	\$0	\$0	\$10,634
2035	\$0	\$0	\$0	\$0	\$8,904	-\$8,904	\$0	\$0	\$0	\$8,904
2036	\$0	\$0	\$0	\$0	\$7,081	-\$7,081	\$0	\$0	\$0	\$7,081
2037	\$0	\$0	\$0	\$0	\$5,167	-\$5,167	\$0	\$0	\$0	\$5,167
2038	\$0	\$0	\$0	\$0	\$3,154	-\$3,154	\$0	\$0	\$0	\$3,154
2039	\$0	\$0	\$0	\$0	\$1,042	-\$1,042	\$0	\$0	\$0	\$1,042
2040	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2041	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2042	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2043	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sum		\$3,344,255	\$1,781,756	\$5,126,011	\$367,544	\$4,758,467	\$1,770,638	\$3,344,255		\$356,426

Scenario - Matching RUS Principal Repayment

EXISTING RUS LOANS

Beginning Loan Balance \$ 3,344,255.04
 Final Payment Date 12/31/28
 Remaining Monthly Pmts 222
 Initial RUS Monthly Pmt \$22,909.88
 Roll Forward Date 06/30/2010

Lifetime Interest \$1,781,756

Present Value of RUS Cash Flow \$3,344,255

NPV Benefit of Refi = \$215,396

CoBANK REFINANCING LOAN

Beginning Loan Balance \$ 3,344,255.04
 Final Payment Date 12/31/28
 Remaining Monthly Pmts 222
 CoBANK Interest Rate 4.90%
 Legal Costs \$0

Lifetime Interest \$1,770,638

Present Value of CoBank Cash Flow \$3,128,859

Payment Number	Principal Balance	Principal Payment	Interest Payment	Total Cash Flow
06/30/2010	0			
07/31/2010	1	3,344,255		
08/31/2010	2	3,326,266	17,975	17,975
09/30/2010	3	3,316,758	9,508	13,859
10/31/2010	4	3,307,666	9,092	13,820
11/30/2010	5	3,298,082	9,584	13,782
12/31/2010	6	3,288,911	9,172	13,742
01/31/2011	7	3,279,700	9,211	13,704
02/28/2011	8	3,269,103	10,597	13,665
03/31/2011	9	3,258,808	9,295	13,621
04/30/2011	10	3,250,027	9,781	13,583
05/31/2011	11	3,240,652	9,376	13,542
06/30/2011	12	3,230,792	9,859	13,503
07/31/2011	13	3,221,335	9,457	13,462
08/31/2011	14	3,211,838	9,497	13,422
09/30/2011	15	3,201,860	9,978	13,383
10/31/2011	16	3,192,280	9,580	13,341
11/30/2011	17	3,182,221	10,058	13,300
12/31/2011	18	3,172,558	9,664	13,259
01/31/2012	19	3,162,853	9,705	13,219
02/29/2012	20	3,152,241	10,612	13,179
03/31/2012	21	3,142,450	9,791	13,134
04/30/2012	22	3,132,187	10,263	13,094
05/31/2012	23	3,122,311	9,876	13,051
06/30/2012	24	3,111,965	10,346	13,010
07/31/2012	25	3,102,003	9,962	12,967
08/31/2012	26	3,091,999	10,004	12,925
09/30/2012	27	3,081,529	10,470	12,883
10/31/2012	28	3,071,438	10,091	12,840
11/30/2012	29	3,060,883	10,555	12,798
12/31/2012	30	3,050,704	10,179	12,754
01/31/2013	31	3,040,482	10,222	12,711
02/28/2013	32	3,028,967	11,515	12,669
03/31/2013	33	3,018,653	10,314	12,627
04/30/2013	34	3,007,881	10,772	12,578
05/31/2013	35	2,997,477	10,404	12,533
06/30/2013	36	2,986,618	10,859	12,489
07/31/2013	37	2,976,124	10,494	12,444
08/31/2013	38	2,965,585	10,539	12,401
09/30/2013	39	2,954,596	10,990	12,357
10/31/2013	40	2,943,965	10,630	12,311
11/30/2013	41	2,932,887	11,079	12,267
12/31/2013	42	2,922,164	10,722	12,220
01/31/2014	43	2,911,396	10,768	12,176
02/28/2014	44	2,899,386	12,010	12,131
03/31/2014	45	2,888,522	10,865	12,081
04/30/2014	46	2,877,215	11,306	12,036
05/31/2014	47	2,866,256	10,959	11,988
06/30/2014	48	2,854,858	11,398	11,943
07/31/2014	49	2,843,805	11,054	11,895
08/31/2014	50	2,832,704	11,101	11,849
09/30/2014	51	2,821,168	11,536	11,803
10/31/2014	52	2,809,971	11,197	11,755
11/30/2014	53	2,798,342	11,629	11,708
12/31/2014	54	2,787,048	11,294	11,660
01/31/2015	55	2,775,706	11,342	11,613
02/28/2015	56	2,763,176	12,531	11,565
03/31/2015	57	2,751,733	11,443	11,513
04/30/2015	58	2,739,864	11,869	11,466
05/31/2015	59	2,728,322	11,542	11,416
06/30/2015	60	2,716,357	11,965	11,368
07/31/2015	61	2,704,715	11,642	11,318
08/31/2015	62	2,693,024	11,691	11,270
09/30/2015	63	2,680,914	12,110	11,221
10/31/2015	64	2,669,122	11,792	11,170
11/30/2015	65	2,656,914	12,208	11,121

Total Cash Flow	Interest Payment	Principal Payment	Principal Balance	Legal Cost Pat. Refund
			\$3,344,255	
\$23,066	\$14,111	\$8,975	3,335,280	\$0
22,822	13,808	9,074	3,326,266	0
23,278	13,771	9,506	3,316,758	0
22,824	13,732	9,092	3,307,666	0
23,278	13,694	9,584	3,298,082	0
22,826	13,654	9,472	3,288,911	0
22,827	13,616	9,211	3,279,700	0
24,176	13,578	10,597	3,269,103	0
11,945	13,534	9,295	3,258,808	-10,883
23,276	13,496	9,781	3,250,027	0
22,831	13,455	9,376	3,240,652	0
23,276	13,416	9,859	3,230,792	0
22,833	13,376	9,457	3,221,335	0
22,834	13,336	9,497	3,211,838	0
23,275	13,297	9,978	3,201,860	0
22,836	13,256	9,580	3,192,280	0
23,274	13,216	10,058	3,182,221	0
22,838	13,175	9,664	3,172,558	0
22,839	13,135	9,705	3,162,853	0
23,707	13,094	10,612	3,152,241	0
1,811	13,050	9,791	3,142,450	-21,030
23,273	13,010	10,263	3,132,187	0
22,843	12,967	9,876	3,122,311	0
23,272	12,927	10,346	3,111,965	0
22,846	12,884	9,962	3,102,003	0
22,847	12,842	10,004	3,091,999	0
23,271	12,801	10,470	3,081,529	0
22,849	12,758	10,091	3,071,438	0
23,271	12,716	10,555	3,060,883	0
22,851	12,672	10,179	3,050,704	0
22,852	12,630	10,222	3,040,482	0
24,103	12,588	11,515	3,028,967	0
2,595	12,540	10,314	3,018,653	-20,260
23,269	12,497	10,772	3,007,881	0
22,857	12,453	10,404	2,997,477	0
23,268	12,410	10,859	2,986,618	0
22,859	12,365	10,494	2,976,124	0
22,860	12,321	10,539	2,965,585	0
23,267	12,278	10,990	2,954,596	0
22,862	12,232	10,630	2,943,965	0
23,267	12,188	11,079	2,932,887	0
22,865	12,142	10,722	2,922,164	0
22,866	12,098	10,768	2,911,396	0
24,063	12,053	12,010	2,899,386	0
3,422	12,004	10,865	2,888,522	-19,446
23,265	11,959	11,306	2,877,215	0
22,871	11,912	10,959	2,866,256	0
23,264	11,866	11,398	2,854,858	0
22,873	11,819	11,054	2,843,805	0
22,874	11,773	11,101	2,832,704	0
23,263	11,728	11,536	2,821,168	0
22,877	11,680	11,197	2,809,971	0
23,263	11,633	11,629	2,798,342	0
22,879	11,585	11,294	2,787,048	0
22,880	11,539	11,342	2,775,706	0
24,022	11,492	12,531	2,763,176	0
4,292	11,440	11,443	2,751,733	-18,591
23,261	11,392	11,869	2,739,864	0
22,885	11,343	11,542	2,728,322	0
23,260	11,295	11,965	2,716,357	0
22,888	11,246	11,642	2,704,715	0
22,889	11,198	11,691	2,693,024	0
23,259	11,149	12,110	2,680,914	0
22,892	11,099	11,792	2,669,122	0
23,258	11,050	12,208	2,656,914	0

08/31/2023	158	1,285,974	17,641	5,432	23,073	23,038	5,397	17,641	1,285,974	0
09/30/2023	159	1,268,082	17,892	5,358	23,251	23,216	5,324	17,892	1,268,082	0
10/31/2023	160	1,250,290	17,792	5,284	23,076	23,042	5,250	17,792	1,250,290	0
11/30/2023	161	1,232,251	18,039	5,210	23,248	23,215	5,176	18,039	1,232,251	0
12/31/2023	162	1,213,306	17,944	5,134	23,079	23,046	5,102	17,944	1,213,306	0
01/31/2024	163	1,196,286	18,020	5,060	23,080	23,048	5,027	18,020	1,196,286	0
02/29/2024	164	1,177,861	18,425	4,985	23,409	23,377	4,953	18,425	1,177,861	0
03/31/2024	165	1,159,686	18,175	4,908	23,083	23,051	4,876	18,175	1,159,686	-8,640
04/30/2024	166	1,141,275	18,411	4,832	23,243	23,212	4,801	18,411	1,141,275	0
05/31/2024	167	1,122,944	18,331	4,755	23,086	23,056	4,725	18,331	1,122,944	0
06/30/2024	168	1,104,382	18,562	4,678	23,241	23,211	4,649	18,562	1,104,382	0
07/31/2024	169	1,085,894	18,487	4,602	23,089	23,059	4,572	18,487	1,085,894	0
08/31/2024	170	1,067,329	18,568	4,525	23,090	23,061	4,496	18,568	1,067,329	0
09/30/2024	171	1,048,538	18,791	4,447	23,236	23,210	4,419	18,791	1,048,538	0
10/31/2024	172	1,029,813	18,724	4,369	23,093	23,065	4,341	18,724	1,029,813	0
11/30/2024	173	1,010,868	18,945	4,291	23,236	23,208	4,263	18,945	1,010,868	0
12/31/2024	174	991,984	18,884	4,212	23,096	23,068	4,185	18,884	991,984	0
01/31/2025	175	973,019	18,965	4,133	23,098	23,071	4,107	18,965	973,019	0
02/28/2025	176	953,574	19,445	4,054	23,499	23,473	4,028	19,445	953,574	0
03/31/2025	177	934,447	19,128	3,973	23,101	15,841	3,948	19,128	934,447	-7,225
04/30/2025	178	915,110	19,357	3,894	23,230	23,206	3,869	19,357	915,110	0
05/31/2025	179	895,819	19,291	3,813	23,104	23,080	3,789	19,291	895,819	0
06/30/2025	180	876,323	19,496	3,733	23,228	23,204	3,709	19,496	876,323	0
07/31/2025	181	856,867	19,456	3,651	23,107	23,084	3,628	19,456	856,867	0
08/31/2025	182	837,329	19,538	3,570	23,109	23,086	3,547	19,538	837,329	0
09/30/2025	183	817,593	19,736	3,489	23,225	23,203	3,467	19,736	817,593	0
10/31/2025	184	797,888	19,705	3,407	23,112	23,090	3,385	19,705	797,888	0
11/30/2025	185	777,990	19,898	3,325	23,223	23,201	3,303	19,898	777,990	0
12/31/2025	186	758,116	19,873	3,242	23,115	23,094	3,221	19,873	758,116	0
01/31/2026	187	738,159	19,958	3,159	23,117	23,096	3,138	19,958	738,159	0
02/28/2026	188	717,813	20,346	3,076	23,421	23,402	3,056	20,346	717,813	0
03/31/2026	189	697,684	20,129	2,991	23,120	17,347	2,972	20,129	697,684	5,754
04/30/2026	190	677,374	20,310	2,907	23,217	23,198	2,888	20,310	677,374	0
05/31/2026	191	657,073	20,301	2,822	23,123	23,105	2,804	20,301	657,073	0
06/30/2026	192	636,597	20,477	2,738	23,215	23,197	2,720	20,477	636,597	0
07/31/2026	193	616,123	20,474	2,652	23,126	23,109	2,636	20,474	616,123	0
08/31/2026	194	595,562	20,561	2,567	23,128	23,111	2,551	20,561	595,562	0
09/30/2026	195	574,832	20,730	2,482	23,211	23,195	2,466	20,730	574,832	0
10/31/2026	196	554,096	20,736	2,395	23,131	23,116	2,380	20,736	554,096	0
11/30/2026	197	533,196	20,900	2,309	23,209	23,194	2,294	20,900	533,196	0
12/31/2026	198	512,284	20,913	2,222	23,135	23,120	2,207	20,913	512,284	0
01/31/2027	199	491,282	21,002	2,135	23,136	23,123	2,121	21,002	491,282	0
02/28/2027	200	469,989	21,293	2,047	23,340	23,327	2,034	21,293	469,989	0
03/31/2027	201	448,808	21,181	1,958	23,140	18,929	1,946	21,181	448,808	4,198
04/30/2027	202	427,475	21,333	1,870	23,203	23,191	1,858	21,333	427,475	0
05/31/2027	203	406,113	21,362	1,781	23,143	23,132	1,770	21,362	406,113	0
06/30/2027	204	384,605	21,508	1,692	23,200	23,189	1,681	21,508	384,605	0
07/31/2027	205	363,061	21,544	1,603	23,146	23,136	1,592	21,544	363,061	0
08/31/2027	206	341,426	21,635	1,513	23,148	23,138	1,503	21,635	341,426	0
09/30/2027	207	319,652	21,774	1,423	23,197	23,188	1,414	21,774	319,652	0
10/31/2027	208	297,832	21,820	1,332	23,152	23,143	1,323	21,820	297,832	0
11/30/2027	209	275,879	21,953	1,241	23,194	23,186	1,233	21,953	275,879	0
12/31/2027	210	253,873	22,006	1,149	23,155	23,148	1,142	22,006	253,873	0
01/31/2028	211	231,774	22,099	1,058	23,157	23,150	1,051	22,099	231,774	0
02/29/2028	212	209,518	22,256	966	23,222	23,216	960	22,256	209,518	0
03/31/2028	213	187,231	22,287	873	23,160	7,583	867	22,287	187,231	-15,572
04/30/2028	214	164,823	22,408	780	23,188	23,183	775	22,408	164,823	0
05/31/2028	215	142,346	22,477	687	23,164	23,160	682	22,477	142,346	0
06/30/2028	216	119,754	22,592	593	23,185	23,181	589	22,592	119,754	0
07/31/2028	217	97,085	22,669	499	23,168	23,164	496	22,669	97,085	0
08/31/2028	218	74,320	22,765	405	23,169	23,167	402	22,765	74,320	0
09/30/2028	219	51,449	22,872	310	23,181	23,179	308	22,872	51,449	0
10/31/2028	220	28,490	22,959	214	23,173	23,172	213	22,959	28,490	0
11/30/2028	221	5,430	23,060	119	23,179	23,178	118	23,060	5,430	0
12/31/2028	222	0	5,430	23	5,453	5,452	22	5,430	0	0
01/31/2029	223	0	0	0	0	0	0	0	0	0
02/28/2029	224	0	0	0	0	0	0	0	0	0
03/31/2029	225	0	0	0	0	0	0	0	0	0
04/30/2029	226	0	0	0	0	-18,370	0	0	0	-18,370
05/31/2029	227	0	0	0	0	0	0	0	0	0
06/30/2029	228	0	0	0	0	0	0	0	0	0
07/31/2029	229	0	0	0	0	0	0	0	0	0
08/31/2029	230	0	0	0	0	0	0	0	0	0
09/30/2029	231	0	0	0	0	0	0	0	0	0
10/31/2029	232	0	0	0	0	0	0	0	0	0
11/30/2029	233	0	0	0	0	0	0	0	0	0
12/31/2029	234	0	0	0	0	0	0	0	0	0
01/31/2030	235	0	0	0	0	0	0	0	0	0
02/28/2030	236	0	0	0	0	0	0	0	0	0
03/31/2030	237	0	0	0	0	-16,759	0	0	0	-16,759
04/30/2030	238	0	0	0	0	0	0	0	0	0
05/31/2030	239	0	0	0	0	0	0	0	0	0
06/30/2030	240	0	0	0	0	0	0	0	0	0
07/31/2030	241	0	0	0	0	0	0	0	0	0
08/31/2030	242	0	0	0	0	0	0	0	0	0
09/30/2030	243	0	0	0	0	0	0	0	0	0
10/31/2030	244	0	0	0	0	0	0	0	0	0
11/30/2030	245	0	0	0	0	0	0	0	0	0
12/31/2030	246	0	0	0	0	0	0	0	0	0
01/31/2031	247	0	0	0	0	0	0	0	0	0
02/28/2031	248	0	0	0	0	0	0	0	0	0
03/31/2031	249	0	0	0	0	-15,343	0	0	0	-15,343

12/31/2038	342	0	0	0	0	0	0	0	0
01/31/2039	343	0	0	0	0	0	0	0	0
02/28/2039	344	0	0	0	0	0	0	0	0
03/31/2039	345	0	0	0	0	0	0	0	0
04/30/2039	346	0	0	0	0	0	0	0	0
05/31/2039	347	0	0	0	0	0	0	0	0
06/30/2039	348	0	0	0	0	0	0	0	0
07/31/2039	349	0	0	0	0	0	0	0	0
08/31/2039	350	0	0	0	0	0	0	0	0
09/30/2039	351	0	0	0	0	0	0	0	0
10/31/2039	352	0	0	0	0	0	0	0	0
11/30/2039	353	0	0	0	0	0	0	0	0
12/31/2039	354	0	0	0	0	0	0	0	0
01/31/2040	355	0	0	0	0	0	0	0	0
02/29/2040	356	0	0	0	0	0	0	0	0
03/31/2040	357	0	0	0	0	0	0	0	0
04/30/2040	358	0	0	0	0	0	0	0	0
05/31/2040	359	0	0	0	0	0	0	0	0
06/30/2040	360	0	0	0	0	0	0	0	0
07/31/2040	361	0	0	0	0	0	0	0	0
08/31/2040	362	0	0	0	0	0	0	0	0
09/30/2040	363	0	0	0	0	0	0	0	0
10/31/2040	364	0	0	0	0	0	0	0	0
11/30/2040	365	0	0	0	0	0	0	0	0
12/31/2040	366	0	0	0	0	0	0	0	0
01/31/2041	367	0	0	0	0	0	0	0	0
02/28/2041	368	0	0	0	0	0	0	0	0
03/31/2041	369	0	0	0	0	0	0	0	0
04/30/2041	370	0	0	0	0	0	0	0	0
05/31/2041	371	0	0	0	0	0	0	0	0
06/30/2041	372	0	0	0	0	0	0	0	0
07/31/2041	373	0	0	0	0	0	0	0	0
08/31/2041	374	0	0	0	0	0	0	0	0
09/30/2041	375	0	0	0	0	0	0	0	0
10/31/2041	376	0	0	0	0	0	0	0	0
11/30/2041	377	0	0	0	0	0	0	0	0
12/31/2041	378	0	0	0	0	0	0	0	0
01/31/2042	379	0	0	0	0	0	0	0	0
02/28/2042	380	0	0	0	0	0	0	0	0
03/31/2042	381	0	0	0	0	0	0	0	0
04/30/2042	382	0	0	0	0	0	0	0	0
05/31/2042	383	0	0	0	0	0	0	0	0
06/30/2042	384	0	0	0	0	0	0	0	0
07/31/2042	385	0	0	0	0	0	0	0	0
08/31/2042	386	0	0	0	0	0	0	0	0
09/30/2042	387	0	0	0	0	0	0	0	0
10/31/2042	388	0	0	0	0	0	0	0	0
11/30/2042	389	0	0	0	0	0	0	0	0
12/31/2042	390	0	0	0	0	0	0	0	0
01/31/2043	391	0	0	0	0	0	0	0	0
02/28/2043	392	0	0	0	0	0	0	0	0
03/31/2043	393	0	0	0	0	0	0	0	0
04/30/2043	394	0	0	0	0	0	0	0	0
05/31/2043	395	0	0	0	0	0	0	0	0
06/30/2043	396	0	0	0	0	0	0	0	0
07/31/2043	397	0	0	0	0	0	0	0	0
08/31/2043	398	0	0	0	0	0	0	0	0
09/30/2043	399	0	0	0	0	0	0	0	0
10/31/2043	400	0	0	0	0	0	0	0	0
11/30/2043	401	0	0	0	0	0	0	0	0
12/31/2043	402	0	0	0	0	0	0	0	0
01/31/2044	403	0	0	0	0	0	0	0	0
02/29/2044	404	0	0	0	0	0	0	0	0
03/31/2044	405	0	0	0	0	0	0	0	0
04/30/2044	406	0	0	0	0	0	0	0	0
05/31/2044	407	0	0	0	0	0	0	0	0
06/30/2044	408	0	0	0	0	0	0	0	0
07/31/2044	409	0	0	0	0	0	0	0	0
08/31/2044	410	0	0	0	0	0	0	0	0
09/30/2044	411	0	0	0	0	0	0	0	0
10/31/2044	412	0	0	0	0	0	0	0	0
11/30/2044	413	0	0	0	0	0	0	0	0
12/31/2044	414	0	0	0	0	0	0	0	0
01/31/2045	415	0	0	0	0	0	0	0	0
02/28/2045	416	0	0	0	0	0	0	0	0
03/31/2045	417	0	0	0	0	0	0	0	0
04/30/2045	418	0	0	0	0	0	0	0	0
05/31/2045	419	0	0	0	0	0	0	0	0
06/30/2045	420	0	0	0	0	0	0	0	0
07/31/2045	421	0	0	0	0	0	0	0	0
08/31/2045	422	0	0	0	0	0	0	0	0
09/30/2045	423	0	0	0	0	0	0	0	0
10/31/2045	424	0	0	0	0	0	0	0	0
11/30/2045	425	0	0	0	0	0	0	0	0
12/31/2045	426	0	0	0	0	0	0	0	0
01/31/2046	427	0	0	0	0	0	0	0	0
02/28/2046	428	0	0	0	0	0	0	0	0
03/31/2046	429	0	0	0	0	0	0	0	0
04/30/2046	430	0	0	0	0	0	0	0	0
05/31/2046	431	0	0	0	0	0	0	0	0
Sum		3,344,255	1,781,756	5,126,011	4,758,467	1,770,638	3,344,255	-356,426	

TAB 3



Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projections are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Jackson Purchase Energy
Schedule	Matching RUS Principal Repayment
Account Officer	LaDuca
Prepared by:	LaDuca
Quote Date	June 1, 2010
Origination Date	June 30, 2010
Amortization Start Date	July 31, 2010
Loan Amount	\$3,344,255
Years to Maturity	18.520
Nominal Interest Rate	4.90%
Estimated Legal Fees (\$)	0
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	360
Payment Amount	\$0

Nominal Interest Rate	4.90%
Net Effective Interest Rate	4.15%
Reduction of Interest Rate	0.75%
Patronage Rate	1.00%
% Cash Patronage	65.00%
Initial Capital Purchase Amount	\$0
Target Equity	8.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Avg Loan Balance - 6 years ago	0
Avg Loan Balance - 7 years ago	0
Avg Loan Balance - 8 years ago	0

Borrower: Jackson Purchaso Energy

Quote Date June 1, 2010
 Origination Date June 30, 2010

Scientific Effective Interest Rate: 4.5%

Matching Requirements/Backup

Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	10 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2010	1,344,255	55,344	82,770	0	0	0	3,206,141	5,860	5,860	3,288,911	1,674,366	167,437	13,395
2011	0	(16,353)	160,752	0	10,883	0	(266,221)	17,184	17,184	3,172,558	3,235,454	490,982	39,279
2012	0	121,854	154,856	0	21,030	0	(255,679)	28,093	28,093	3,050,704	3,116,894	802,671	64,214
2013	0	128,540	148,644	0	20,260	0	(256,924)	10,471	38,564	2,922,164	2,991,712	1,101,843	88,147
2014	0	135,116	142,110	0	19,446	0	(257,780)	10,011	48,375	2,787,048	2,860,186	1,387,861	111,029
2015	0	142,029	135,242	0	18,591	0	(258,680)	9,527	58,102	2,645,019	2,721,930	1,660,054	132,804
2016	0	148,919	128,038	0	17,693	0	(259,265)	9,020	67,122	2,496,100	2,577,062	1,917,760	153,421
2017	0	156,914	120,454	0	16,751	0	(260,617)	8,485	75,606	2,339,186	2,424,221	2,160,182	172,815
2018	0	164,942	112,478	0	15,757	0	(261,663)	7,923	83,529	2,174,243	2,263,661	2,386,549	190,924
2019	0	173,381	104,094	0	14,714	0	(262,761)	7,332	90,861	2,000,862	2,094,886	2,596,037	207,683
2020	0	181,968	95,292	0	13,617	0	(263,644)	6,713	97,574	1,818,894	1,917,895	2,620,390	209,631
2021	0	191,561	86,032	0	12,466	0	(265,127)	6,059	103,633	1,627,333	1,731,280	2,469,973	197,598
2022	0	201,362	76,295	0	11,253	0	(266,403)	5,373	109,007	1,425,971	1,535,267	2,311,810	184,945
2023	0	211,664	66,060	0	9,979	0	(267,744)	4,652	113,659	1,214,306	1,329,226	2,145,561	171,645
2024	0	222,322	55,308	0	8,640	0	(268,990)	3,896	117,555	991,984	1,113,012	1,970,844	157,668
2025	0	233,868	44,000	0	7,335	0	(270,633)	3,098	120,653	758,116	885,155	1,787,166	142,973
2026	0	245,833	32,113	0	5,754	0	(272,192)	2,260	122,913	512,284	645,853	1,594,046	127,524
2027	0	258,410	19,617	0	4,198	0	(273,829)	1,380	124,293	253,873	394,308	1,391,054	111,284
2028	0	253,874	6,484	0	2,563	13,009	(244,785)	456	111,740	0	1,177,708	94,217	0
2029	0	0	0	0	846	17,523	18,370	0	94,217	0	0	968,220	77,458
2030	0	0	0	0	0	16,759	16,759	0	77,458	0	0	776,430	62,114
2031	0	0	0	0	0	15,343	15,343	0	62,114	0	0	603,302	48,264
2032	0	0	0	0	0	13,850	13,850	0	48,264	0	0	449,775	35,982
2033	0	0	0	0	0	12,282	12,282	0	35,982	0	0	316,853	25,348
2034	0	0	0	0	0	10,634	10,634	0	25,348	0	0	205,552	16,444
2035	0	0	0	0	0	8,904	8,904	0	16,444	0	0	117,036	9,363
2036	0	0	0	0	0	7,081	7,081	0	9,363	0	0	52,451	4,196
2037	0	0	0	0	0	5,167	5,167	0	4,196	0	0	13,020	1,042
2038	0	0	0	0	0	3,154	3,154	0	1,042	0	0	0	0
2039	0	0	0	0	0	1,042	1,042	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
2052	0	0	0	0	0	0	0	0	0	0	0	0	0
2053	0	0	0	0	0	0	0	0	0	0	0	0	0
2054	0	0	0	0	0	0	0	0	0	0	0	0	0
2055	0	0	0	0	0	0	0	0	0	0	0	0	0
2056	0	0	0	0	0	0	0	0	0	0	0	0	0
2057	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	1,344,255	3,344,255	1,770,638	50	521,677	124,249		124,749					



Projection of Cash Flows and Effective Interest Rates

The following provides a column-by-column description of CoBank's Loan Rate Model. The Loan Rate Model provides projections of cash flows and effective interest rates based upon the assumptions given for each printout.

- Column C reflects the principal advances on the loan.
- Column E reflects the periodic principal payments.
- Column F reflects the periodic interest payments.
- Column H shows the capital purchases required based upon the assumptions. A new borrower must purchase \$1,000 capital.
- Column I reflects the cash patronage. Total patronage is calculated as a percentage of the one year average loan balance. CoBank is required by statute to pay a minimum of 20 percent patronage capital allocated to a borrower during each year in cash.
- Column J shows capital retirements in cash.
- Column K reflects the net cash flow for the borrower throughout the term of the loan.
- Column L reflects the allocated patronage used to purchase additional capital in CoBank. This represents the balance of the capital allocated each year which was not paid in cash.
- Column M shows the balance of purchased and allocated capital on a cumulative basis each year.
- Column N reflects the loan balance at the end of the year.
- Column O represents the one year average loan balance which is the basis for annual patronage.
- Column P represents average ten year loan balance which is the basis for determining the capital target for the borrower.
- Column Q shows the target equity for the borrower based upon the ten year average loan balance.

TAB 4

EXHIBIT 3

Refinancing Process

A refinancing of secured debt is permitted under the RUS Mortgage. Included below is an excerpt from the RUS Mortgage providing for such refinancing. CoBank can provide electronic copies of all CoBank documents.

The specific steps for refinancing RUS notes are:

1. Provide CoBank with your RUS form 613 (Quarterly RUS Statement of Loan Account) in order to analyze notes beneficial to refinance.
2. CoBank completes due diligence and provides loan commitment.
3. Provide notice to RUS of prepayment, designating notes to be prepaid and request for payoff memorandum. This notice must be at least four business days before the desired pay off date.
 - RUS Payoff Information: Direct Loan and Grant Branch (DLGB)
 - Telephone: 314-457-4049 or 314-457-4083
 - Fax: 314-457-4283 or 314-457-4284
 - Email: dlgb@stl.rural.usda.gov
 - Cash Transmittal Questions: Cash Management Branch (CMB)
 - Telephone: 314-457-4021
4. Obtain and forward to CoBank, RUS prepared spreadsheet setting forth principal and interest to be paid off.
5. Apply and obtain any required regulatory approval as defined by applicable state.
6. Provide borrowing resolution and return all executed loan documents to CoBank.
7. Borrower notifies CoBank as to whether prior period amounts due will be delivered to CoBank or if it will be drawn from borrower's CoBank line of credit for final settlement of RUS notes.
8. Principal balance and interest wired by CoBank to RUS paying off notes.
9. Supplemental mortgages filing complete and opinion of counsel delivered to CoBank.

Excerpt from Article II of the RUS Mortgage

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 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.

RUS notes proposed for refinancing:

Note ID	Principal Balance	Final Payment Date	Years Remaining	Weighted Average Life
1B300	1,672,127.52	12/31/2028	18.52	10.63
1B305	1,672,127.52	12/31/2028	18.52	10.63
Totals	3,344,255.04		18.52	10.63

Interest Savings (over life of notes):

<u>Total Interest RUS @ 5.00%</u>	<u>Total Interest CoBank @ 4.90%</u>	<u>Total Savings</u>
\$1,781,756	\$1,770,638	\$11,118
CoBank Cash Patronage Refund:		\$231,677
CoBank Stock Patronage Refund:		<u>\$124,749</u>
Total Life Time Benefit:		<u>\$367,544</u>
Present Value of Benefit (discounted @ 4.90%)		<u>\$215,396</u>

There are no prepayment penalties arising from prepayment of RUS debt. CoBank would document this transaction using outside counsel to be paid by Jackson Purchase.

Jackson Purchase Energy Corporation
Income Statement
Twelve Months Ended April 30, 2010

Exhibit _____
Page 1 of 1

Operating Revenues:	
Electric revenues	\$ 39,595,417
Other electric revenues	898,674
	<hr/>
	40,494,091
	<hr/>
Operating Expenses:	
Cost of power	23,965,279
Distribution - operations	2,831,666
Distribution - maintenance	4,848,894
Consumer accounts	1,113,919
Customer service and information	181,552
Sales	27,380
Administrative and general	1,937,105
	<hr/>
	34,905,795
Depreciation	4,249,610
Other tax expense	44,628
Interest on long-term debt	2,771,356
Other interest charges	118,478
Other deductions	2,600
	<hr/>
	42,092,467
	<hr/>
Operating Margins	(1,598,376)
Non-operating margins - interest	304,754
Non-operating margins - other	48,092
G & T capital credits	0
Other capital credits	183,149
	<hr/>
Net margins	<u>\$ (1,062,381)</u>

Jackson Purchase Energy Corporation
Balance Sheet
April 30, 2010

Exhibit ____
Page 1 of 1

Assets

Electric Plant:	
In Service	\$ 123,338,191
Construction Work in Progress	5,803,542
	<u>129,141,733</u>
Less accumulated depreciation	40,499,093
	<u>88,642,640</u>
Nonutility Property - Net	58,763
Investments	2,319,046
Current Assets:	
Cash and cash equivalents	239,048
Accounts Receivable	7,589,465
Materials and supplies	1,859,924
Prepayments	378,221
Other current assets	906,836
Other assets	<u>665,636</u>
Total assets	<u><u>\$ 102,659,579</u></u>

Liabilities and Equities

Members' Equities:	
Memberships	\$ 172,925
Patronage capital	37,980,974
Other Margins and Equities	<u>(393,020)</u>
	<u>37,760,879</u>
Long-term debt	<u>56,385,309</u>
Current Liabilities:	
Accounts payable	1,779,927
Short-term debt	2,100,000
Consumer deposits	1,499,750
Other current and accrued expenses	<u>2,953,854</u>
	8,333,531
Consumer advances for construction	<u>179,860</u>
Total Members' Equities and Liabilities	<u><u>\$ 102,659,579</u></u>

EXHIBIT 5

RUS PROJECT DESIGNATION:

KENTUCKY 20-AP44 MCCRACKEN

RESTATED MORTGAGE
AND
SECURITY AGREEMENT

made by and among

JACKSON PURCHASE ENERGY CORPORATION
2900 Irvin Cobb Drive
Paducah, Kentucky 42003,

Mortgagor, and

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

Mortgagee, and

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
2201 Cooperative Way
Herndon, Virginia 20171-3025,

Mortgagee, and

COBANK, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111-1914,

Mortgagee

Dated as of February 1, 2007

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 TERENCE M. BRADY, ASSISTANT GENERAL COUNSEL, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 25598.

RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of February 1, 2007 (hereinafter sometimes called this "Mortgage"), is made by and among JACKSON PURCHASE ENERGY 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"), NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia and COBANK, ACB (hereinafter called "CoBank"), a federally chartered instrumentality of the United States, and is intended to confer rights and benefits on the Government, CFC and CoBank, 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, CFC and CoBank and any such other lenders being herein sometimes collectively referred to as the "Mortgagees").

RECITALS

WHEREAS, the Mortgagor, the Government, CFC and CoBank or its predecessor, are parties to that certain Restated Mortgage and Security Agreement dated as of November 1, 1999, 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, CFC and CoBank;

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 defeased 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 movable 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 Mortgagor 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 Noteholder, 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:
- (1) 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
 - (i) applied as a prepayment of all Notes equally and ratably,
 - (ii) 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
 - (iii) 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 judgement 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. Mortgage 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, JACKSON PURCHASE ENERGY 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, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee and COBANK, ACB, 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.

JACKSON PURCHASE ENERGY CORPORATION

by

Gary Janner

, Chairman



Attest:

Waine Elliott

Secretary

Executed by the Mortgagor in the presence of:

[Two handwritten witness signatures]

Witnesses

UNITED STATES OF AMERICA

by *Joseph S. Badin*

Joseph S. Badin

Director - Northern
Regional Division
of the
Rural Utilities Service

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

Sara Wetklow

Sara Wetklow
IVET FIGUEROA

[Signature]
Witnesses

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by *Amy S. Luongo*

AMY S. LUONGO

Assistant Secretary-Treasurer

(SEAL)

Bryan Russell

Bryan Russell

Attest:

Assistant Secretary-Treasurer

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

Bruce MacNeil

BRUCE MACNEIL

Eileen Iciek

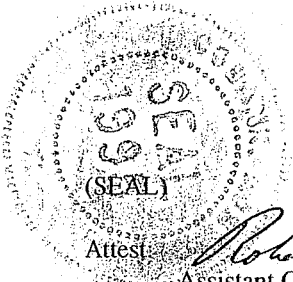
Eileen Iciek

Witnesses

COBANK, ACB

by *Penny Probasco*

Penny Probasco
Assistant Corporate Secretary



Attest: *Robert Pace*
Assistant Corporate Secretary

Executed by CoBank, ACB, Mortgagee, in the presence of:

[Signature]
[Signature]
Witnesses

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF *MCCRACKEN*)

333

I, *Melanie J. Wyatt Carter*, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that *GARY L. JOINER*, personally known to me to be the Chairman of Jackson Purchase Energy 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 *27th* day of *September*, 20 *07*.

Melanie J. Wyatt Carter

Notary Public
in and for *MCCRACKEN* County, Kentucky



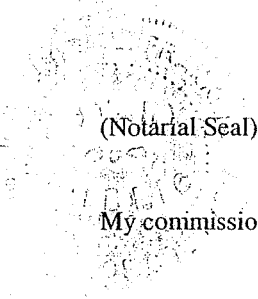
My Commission expires: *5/4/2010*

DISTRICT OF COLUMBIA) SS

On this 1 day of February, 2007, personally appeared before me Joseph S. Badin, who, being duly sworn, did say that he is the Director - Northern Regional Division 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.

DeShaunta L. Franklin
Notary Public



(Notarial Seal)

DeShaunta L. Franklin
Notary Public, District of Columbia
My Commission Expires 9-30-2010

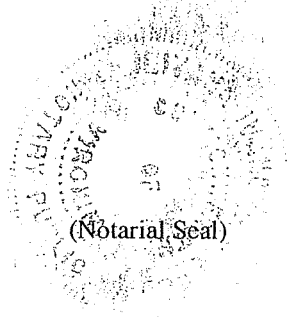
My commission expires: _____

COMMONWEALTH OF VIRGINIA)
) SS
COUNTY OF FAIRFAX)

On this 4th day of February, 20 07, before me appeared AMY S. LUONGO, to me personally known, who, being by me duly sworn, did say that he is the ASSISTANT SECRETARY-TREASURER of the National Rural Utilities Cooperative Finance Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said ASSISTANT SECRETARY-TREASURER acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.


Notary Public



Iliyana I. Mihailov
NOTARY PUBLIC
Commonwealth of Virginia
My Commission Expires 7-31-09

My commission expires: _____

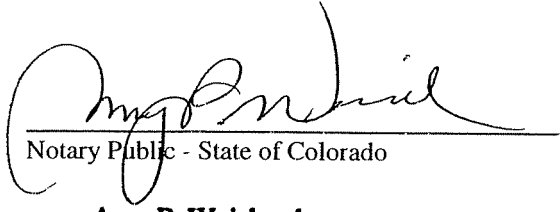
STATE OF COLORADO)
) ss.
COUNTY OF ARAPAHOE)

This instrument was acknowledged before me on February 13, 2007, by Penny Probasco and Robert Pace, each an Assistant Corporate Secretary of CoBank, ACB, a federally chartered instrumentality of the United States, on behalf of said entity.

Witness my hand and official seal.

My commission expires:

June 9, 2010



Notary Public - State of Colorado

Amy P. Weisbrod



SCHEDULE A: Part One

0 337

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:

Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
Paducah, Kentucky 42003

As to the Mortgagees:

Rural Utilities Service
United States Department of Agriculture
Washington, DC 20250-1500

National Rural Utilities
Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025

CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111-1914

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, 1999
Supplemental Mortgage	May 1, 2001
Supplemental Mortgage and Security Agreement	September 2, 2003

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 Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate²</u>
V2	\$705,000.00	26 Sep 1972	26 Sep 2007	2.00
AD7	\$1,855,000.00	25 Aug 1982	25 Aug 2017	5.00
AE6	\$3,184,000.00	20 Sep 1984	20 Sep 2019	5.00
AF7	\$2,967,000.00	26 Oct 1988	26 Oct 2023	5.00
AG7	\$2,892,000.00	26 Dec 1991	26 Dec 2026	5.00
AH7	\$4,483,000.00	24 Feb 1994	24 Feb 2029	5.00
AK42	\$4,900,000.00	8 May 1996	8 May 2031	5.00
AL42	\$6,726,000.00	1 Nov 1999	1 Nov 2034	5.00
AN8 ³	\$18,590,000.00	1 May 2001	31 Dec 2035	V
AM44	\$7,832,000.00	1 May 2001	1 May 2036	V
AP44	\$2,833,000.00	1 Feb 2007	1 Feb 2041	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 "ORIGINAL 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.

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>
9001	\$1,392,000.00	09/20/1984	09/20/2019

SCHEDULE A: PART Three

CoBank

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 CoBank, ACB

Payor: Jackson Purchase Energy Corporation

<u>Note</u> <u>Designation</u>	<u>Face</u> <u>Amount</u>	<u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Rate</u>
RIML0731T2	\$1,921,000.00	June 19, 2003	Feb. 20, 2029	V
RIML0731T3	\$1,240,000.00	June 19, 2003	June 20, 2026	V
RIML0731T5	\$1,271,000.00	June 19, 2003	June 15, 2023	V
RIML0731T6	\$4,158,599.15	Sept. 2, 2003	Nov. 30, 2013	V

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 6 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: the Counties of Ballard, Carlisle, Graves, Livingston, Marshall and McCracken in the Commonwealth of Kentucky.

The contracts referred to in Subclause C of Granting Clause First include without limitation the Wholesale Power Contract, dated as of October 14, 1977, between the Mortgagor and Big Rivers Electric Corporation.

- (a) all that certain tract of land described in a certain deed, dated November 21, 1939, executed by Mary Elizabeth Section, et al, as grantors, to the mortgagor, as grantee, and recorded on December 8, 1939, in the office of the County Court Clerk of Livingston County, Kentucky, in Deed Book 62, page 483;
- (b) all that certain tract of land described in a certain deed, dated August 13, 1948, executed by C. D. McCaw and Ollie McCaw, his wife, as grantors, to the mortgagor as grantee, and recorded on September 30, 1948, in the office of the County Court Clerk of Ballard County, Kentucky, in Deed Book 54, page 225;
- (c) all that certain tract of land described in a certain deed, dated June 8, 1950, executed and delivered by Stephen A. Cuip and Rosa L. Cuip, his wife, as grantors, to the mortgagor, as grantee, recorded on September 20, 1950, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky in Deed Book 291, page 18;
- (d) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed dated May 15, 1956, executed and delivered by Artelle Holton, County Judge and W. J. O'Briens, Jr., County Clerk, pursuant to order of Marshall County Fiscal Court, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Marshall, on April 24, 1959, in Deed Book 101, at page 406;
- (e) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated September 12, 1958, executed and delivered by Leon Koon and Jean Koon, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Livingston, on February 16, 1958, in Deed Book 87, at page 548;

- (f) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed dated March 21, 1962, executed and delivered by Mrs. Lina Loyd (also Lloyd) a widow, et al, as grantors, to the mortgagor, as grantee, and recorded in deed records of the County of Livingston on April 6, 1962, in Deed Book 92, at page 49;
- (g) a certain tract or parcel of land situated in Graves County, Commonwealth of Kentucky, described in a certain deed, dated June 16, 1963, executed and delivered by William Oscar Leonard and Ethel Leonard, his wife, as grantors, to the mortgagor, as grantee, and recorded in the deed records of the County of Graves on September 3, 1964, in Deed Book 192, at page 445;
- (h) all realty described in a certain deed dated November 4, 1968, executed and delivered by Urban Renewal and Community Development Agency of the City of Paducah, Kentucky, a body politic and corporate under the laws of Kentucky, as grantor, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 503, at page 114;
- (i) all realty described in a certain deed dated January 23, 1969, executed and delivered by John C. Walsh et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of the County Court of McCracken County, Kentucky in Deed Book 507, at pages 1 et seq;
- (j) all that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 4, 1970, executed and delivered by W. E. and Imogene Miller, as grantors, to the mortgagor, as grantee, and recorded on the 7th day of May, 1970 in the office of the County Clerk of Ballard County, Kentucky in Book (Cabinet 1, Drawer 2), No. 683;
- (k) all that certain tract or parcel of land together with all improvements thereon, described in a certain deed, dated May 28, 1970, executed and delivered by Mutual Security Investment Corporation, as grantor, to the mortgagor, as grantee, and recorded on the 28th day of May, 1970, in the office of the County Clerk of Marshall County, Kentucky, in Book 138, page 440 as corrected by correction deed dated June 28, 1971, and filed on the 6th day of July, 1971, in the office of the County Clerk of Marshall County in Book 143, page 408;

- (l) all realty described in a certain deed dated October 8, 1965, executed and delivered by Doran E. Perdue, Trustee, as grantor, to the mortgagor, as grantee and recorded in the office of the Clerk of the County Court of Livingston County, Kentucky, in Deed Book 98, page 294;
- (m) all realty described in a certain deed dated December 19, 1969, executed and delivered by Louis Bradley, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky in Deed Book 107, page 375;
- (n) all realty described in a certain deed dated January 25, 1968, executed and delivered by Robert Flowers, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court, in Deed Book 540, page 156;
- (o) all realty described in a certain deed dated February 21, 1953, executed and delivered by Thomas D. McDougal, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, Court in Deed Book 331, page 199;
- (p) all realty described in a certain deed dated June 3, 1969, executed and delivered by Robert Yarbrough, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Ballard County, Kentucky in Cabinet 1, Drawer 2, instrument no. 425;
- (q) all realty described in a certain deed dated October 25, 1953, executed and delivered by Odell Adams, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 404, page 133;
- (r) all realty described in a certain, deed dated January 19, 1973, executed and delivered by Stoy M. Gates, et ux, as grantors, to the mortgagor, as grantee, and recorded in the office of the Clerk of Livingston County, Kentucky, in Deed Book 116, page 36;
- (s) all realty described in a certain deed dated October 12, 1974, executed and delivered by C. L. and Virginia Slayden, husband and wife, as grantors to the mortgagor, as grantee, and recorded in the office of the Clerk of McCracken County, Kentucky, in Deed Book 551, page 233;

- (t) a certain tract of land described in a certain deed dated March 16, 1976, by Abram and Evelyn Allen, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 580, page 298;
- (u) a certain tract of land described in a certain deed dated January 29, 1976, by Leslie A. and Lucille E. Feast, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 834;
- (v) a certain tract of land described in a certain deed, dated October 10, 1975 by Eva Pauline Hatcher, a widow, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 578, page 70;
- (w) a certain tract of land described in a certain deed dated June 30, 1976, by *Essex Group, Inc.*, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 584, page 139;
- (x) a certain tract of land described in a certain deed dated October 7, 1976, by Bob Morris Builders, as grantor, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 126, page 571;
- (y) a certain tract of land described in a certain deed dated June 1, 1978 by Mary and Kermit R. McKinney, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Livingston County in the Commonwealth of Kentucky, in Deed Book 131, page 473;
- (z) a certain tract of land described in a certain deed dated September 27, 1977 by Mildred and Elvis L. Emerson, husband and wife, as grantors, to the mortgagor, as grantee and recorded in the office of the County Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 128, page 354;

- (aa) a certain tract of land described in a certain deed dated July 21, 1978 by Martha and Edward L. Reid, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of Graves County in the Commonwealth of Kentucky, in Deed Book 269, page 715;
- (ab) a certain tract of land described in a certain deed, dated July 24, 1978, by Pearl and Leon M. Toon, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk of McCracken County in the Commonwealth of Kentucky, in Deed Book 608, page 135;
- (ac) a certain tract of land described in a certain deed, dated September 30, 1980 by Lonnie Smith, Charlene Smith, Charles Smith and Dorothy Smith as grantors to the mortgagor, as grantee and recorded in the office of the County Court Clerk of Marshall County in the Commonwealth of Kentucky, in Deed Book 186, page 681;
- (ad) a certain tract of land described in a certain deed, dated November 13, 1981, by Richard and Alice Shelby, husband and wife, as grantors, to the mortgagor, as grantee, and recorded in the office of the County Clerk in Ballard County in the Commonwealth of Kentucky in Microfilm Cabinet 1, Drawer 9, Card 13.718;
- (ae) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated June 27, 1988, executed and delivered by Charles A. Williams and Ruth W. Williams, his wife, as grantors, to the mortgagor, as grantee, recorded on June 27, 1988, in the office of the Clerk of the County Court, McCracken County, in the Commonwealth of Kentucky, in Deed Book 715, page 411;
- (af) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated October 15, 1991, executed and delivered by Shell Pipe Line Corporation, as grantor, to the mortgagor, as grantee, recorded on November 12, 1991 in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 761, Page 684;

- (ag) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated August 27, 1999, executed and delivered by Vulcan Materials Company, as grantor, to the mortgagor, as grantee, recorded on December 15, 1999, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 197, page 527;
- (ah) a certain tract of land situated in McCracken County, Commonwealth of Kentucky, described in a certain deed, dated March 15, 2000, executed and delivered by Strawberry Hill LLC, as grantor, to the mortgagor, as grantee, recorded on March 16, 2000, in the office of the Clerk of the County Court, McCracken County in the Commonwealth of Kentucky in Deed Book 932, page 756.
- (ai) a certain tract of land situated in Marshall County, Commonwealth of Kentucky, described in a certain deed, dated August 13, 2001, executed and delivered by Terry and Phyllis Tucker, husband and wife, as grantors, to the mortgagor, as grantee, recorded on August 13, 2001, in the office of the Clerk of the County Court, Marshall County in the Commonwealth of Kentucky in Deed Book 332, page 42;
- (aj) a certain tract of land situated in Livingston County, Commonwealth of Kentucky, described in a certain deed, dated June 4, 2004, executed and delivered by Cumberland River Resources, LLC, as grantor, to the mortgagor, as grantee, recorded on June 10, 2004, in the office of the Clerk of the County Court, Livingston County in the Commonwealth of Kentucky in Deed Book 214, page 467.

SCHEDULE C
Excepted Property

None.

Exhibit B**Form of Supplemental Mortgage**

Supplemental Mortgage and Security Agreement, dated as of _____, (hereinafter sometimes called this "Supplemental Mortgage") is made by and among _____ (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of _____, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government"), _____ (Supplemental Lender) (hereinafter called _____), a _____ existing under the laws of _____, and intended to confer rights and benefits on both the Government and _____ and _____ in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and the Supplemental Lenders being hereinafter sometimes collectively referred to as the "Mortgagees").

Recitals

Whereas, the Mortgagor, the Government and _____ are parties to that certain Restated Mortgage and Security Agreement (the "Original Mortgage" as identified in Schedule "A" of this Supplemental Mortgage) originally entered into between the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and _____; and

Whereas, the Original Mortgage as the same may have been previously supplemented, amended or restated is hereinafter referred to as the "Existing Mortgage"; and

Whereas, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same, and to enter into this Supplemental Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity, and to add _____ as a Mortgagee and secured party hereunder and under the Existing Mortgage (the Supplemental Mortgage and the Existing Mortgage, hereinafter sometimes collectively referred to the "Mortgage"); and

Whereas, all of the Mortgagor's Outstanding Notes listed in Schedule "A" hereto is secured pari passu by the Existing Mortgage for the benefit of all of the Mortgagees under the Existing Mortgage; and

Whereas, the Existing Mortgage provides the terms by which additional pari passu obligations may be issued thereunder and further provides that the Existing Mortgage may be supplemented from time to time to evidence that such obligations are entitled to the security of the Existing Mortgage and to add additional Mortgagees; and

Whereas, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Notes listed in Schedule "A" pari passu with the Outstanding Notes under the Existing Mortgage (and do hereby add _____ as a Mortgagee and a secured party under the Existing Mortgage); and

Whereas, all acts necessary to make this Supplemental Mortgage a valid and binding legal instrument for the security of such notes and related obligations under the terms of the Mortgage, have been in all respects duly authorized:

Now, Therefore, This Supplemental Mortgage Witnesseth: That to secure the payment of the principal of (and premium, if any) and interest on 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 and the purchase or guarantee of Notes by the guarantors or holders thereof, 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 in for the purposes hereinafter expressed, unto the Mortgagees all property, 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 set forth on Schedule "C" hereof owned or hereafter acquired 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:

- 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; and
- B. all of those fee and leasehold interests in real property set forth in Schedule "B" of the Existing Mortgage or in any restatement, amendment or supplement thereto, subject in each case to those matters set forth in such Schedule; and
- C. all of the kinds, types or items of property, now owned or hereafter acquired, described as Mortgaged Property in the Existing Mortgage or in any restatement, amendment to supplement thereto as Mortgaged Property.

It is Further Agreed and Covenanted That the Original Mortgage, as previously restated, amended or supplemented, and this Supplement shall constitute one agreement and the parties hereto shall be bound by all of the terms thereof and, without limiting the foregoing.

- 1. All capitalized terms not defined herein shall have the meaning given in Article I of the Existing Mortgage.
- 2. This Supplemental Mortgage is one of the Supplemental Mortgages contemplated by Article II of the Original Mortgage.
- 3. The Maximum Debt Limit for the Mortgage shall be as set forth in Schedule "A" hereto.

In Witness Whereof, _____ as Mortgagor

[ACKNOWLEDGMENTS]

SAMPLE - NOT FOR EXECUTION

Supplemental Mortgage Schedule A

Maximum Debt Limit and Other Information

1. The Maximum Debt Limit is \$ _____ .
2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows: _____ .
3. The Outstanding Notes referred to in the fourth WHEREAS clause above are more particularly described as follows:
4. The Additional Notes described in the sixth WHEREAS clause above are more particularly described as follows:

Supplemental Mortgage Schedule B

Property Schedule

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

STATE OF KENTUCKY } SCT.
COUNTY OF McCRACKEN }

I, Jeff Jerrell, Clerk of the County Court for the County and State aforesaid, do certify that the foregoing instrument of writing was lodged for record on the 1st day of Oct. 20 07 at 11:40A M. o'clock, and I have recorded the same together with this and the foregoing certificate in my office in

MTs Book No. 1149 Page No. 299

Given under my hand this 1 day of Oct. 20 07.

JEFF JERRELL, CLERK

By D. Sanderson DC

LONG-TERM DEBT SCHEDULE
JACKSON PURCHASE ENERGY CORPORATION
5/31/2010

Note Description	Interest Rate	Date of Draw	Final Maturity Date	Original Balance	Current Balance	Interest Expensed YTD 2009
RUS/Treasury Notes:						
1B260	5.00%	8/25/1982	8/25/17	927,500	340,784	19,101.70
1B262	5.00%	8/25/1982	8/25/17	927,500	340,785	19,101.70
1B270/1B273	5.00%	9/20/1984	9/20/19	3,184,000	1,463,759	79,082.03
1B280	5.00%	6/22/1988	10/26/23	1,483,000	887,322	46,580.59
1B281/1B283	5.00%	6/22/1988	10/26/23	1,484,000	912,845	47,907.97
1B290/1B292	5.00%	8/20/1991	12/26/26	2,892,000	2,001,757	103,776.50
1B300/1B305	5.00%	9/3/1993	2/24/29	4,483,000	3,353,647	172,818.68
1B310/1B311	5.00%	1/25/1996	5/8/31	4,900,000	3,924,621	201,243.95
1B320	5.00%	2/4/2000	11/1/34	6,726,000	5,859,022	298,737.02
1B330	5.53%	7/24/2001	5/1/36	4,500,000	4,084,353	229,517.63
1B331	2.91%	6/3/2003	5/1/36	332,000	284,327	8,476.29
1B332	2.91%	6/3/2003	5/1/36	3,000,000	2,575,466	76,779.43
IA340	4.55%	8/11/2008	2/1/41	2,833,000	2,778,352	128,181.43
IA350	4.55%	8/11/2008	11/1/41	2,167,000	2,148,976	98,588.36
IA351	3.68%	2/20/2009	11/1/41	10,000,000	9,902,038	316,536.59
FFB Notes:						
H0010 (FFB)	2.071%	6/3/2003	12/3/35	2,668,000	2,113,877	45,261.93
H0015 (FFB)	4.422%	6/17/2004	12/3/35	2,250,000	1,839,286	84,089.39
H0020 (FFB)	5.283%	6/17/2004	12/31/35	2,250,000	1,839,286	100,462.29
H0025 (FFB)	4.534%	9/29/2005	12/31/35	5,500,000	4,681,818	219,467.07
H0030 (FFB)	4.913%	3/7/2006	12/31/35	5,922,000	5,125,764	260,362.66
CoBank Notes:						
ML0731T2	3.87% (Variable)	02/24/94	2/20/29	\$1,921,000	1,504,320	51,416.44
ML0731T3	3.87% (Variable)	08/27/91	6/20/26	1,240,000	1,013,971	44,139.47
ML0731T5	3.87% (Variable)	06/15/88	6/15/23	1,271,000	949,834	39,563.87
ML0731T6	4.78%	09/02/03	11/20/13	4,158,599	817,777	57,387.12
CFC Notes:						
9001 (CFC)	5.375% (Effective)	08/31/84	9/1/2019	1,364,160	661,258	38,543.78
Sub-total				78,383,759	61,405,245	2,787,124
Cushion of Credit:	5.00%			n/a	(5,253,379)	(249,223.46)
Net Long Term Debt				78,383,759	56,151,866	2,537,900
CFC Line of Credit				5,000,000	0	2,119.18
CoBank Line of Credit				20,000,000	2,600,000	59,462.47