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August 30, 2010

RECEIVED

AUG 27 2010

Kentucky Public Service Commission  
ATTN: Ms. Theresa Weber  
211 Sower Boulevard  
Frankfort, KY 40602

PUBLIC SERVICE  
COMMISSION

Re: Application of Taylor County RECC  
Case No. 2010-00296

Dear Theresa:

This will acknowledge, and follow-up upon, my telephone conferences with you and Rick Bertlesman referable to this filing.

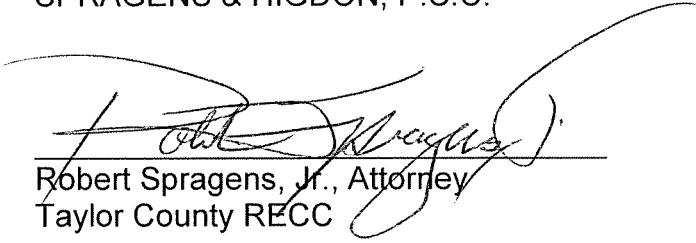
In reviewing the Commission's Order entered herein on August 6<sup>th</sup>, you have confirmed that what you need by way of follow-up on the part of Taylor County RECC is a original and three copies of the documents requested in that Order. You have received the three copies, but lack an original, and I thus enclose herewith an original packet, with a cover sheet which bears my original signature.

I appreciate your assistance in this matter, and if there is anything else that we need to do to be compliant, please call me directly.

With kind regards, I remain,

Yours very truly,

SPRAGENS & HIGDON, P.S.C.

  
Robert Spragens, Jr., Attorney  
Taylor County RECC

RS,JR:js  
Enclosures

cc: Mr. John F. Patterson, Office Manager  
Taylor County RECC

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

APPLICATION OF TAYLOR COUNTY RURAL )  
ELECTRIC COOPERATIVE CORPORATION )  
FOR AUTHORIZATION TO BORROW )  
\$5,420,315.37 FROM COBANK AND EXECUTE )  
NECESSARY NOTES AND TO REPAY RURAL )  
UTILITIES SERVICES 5 PERCENT NOTES IN )  
THE SAME AMOUNT. )

CASE NO.  
2010-00296

**RECEIVED**

AUG 27 2010  
PUBLIC SERVICE  
COMMISSION

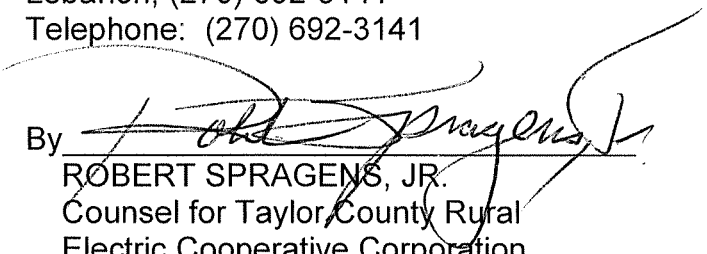
**NOTICE OF COMPLIANCE**

Applicant, Taylor County Rural Electric Cooperative Corporation, by counsel, advises the Commission that the CoBank loan which has been, and is, the subject of this application was, consistent with the Commission's approval granted by Order entered on August 6, 2010, closed as of August 17, 2010. Accordingly, Taylor County RECC, acting consistent with the requirements of that Order, files herewith requisite copies of the actual loan documents, together with an updated version of Exhibit 2, Attachment B, Tab 1, Page 2 of its application. The Commission will please note therefrom that the actual principal sum of the CoBank loan is \$5,420,301.68.

DATED this 26<sup>TH</sup> day of August, 2010.

SPRAGENS & HIGDON, P.S.C.  
Attorneys at Law  
15 Court Square - P. O. Box 681  
Lebanon, (270) 692-3141  
Telephone: (270) 692-3141

By

  
ROBERT SPRAGENS, JR.  
Counsel for Taylor County Rural  
Electric Cooperative Corporation

**RUS notes proposed for refinancing:**

Note ID	Principal Balance	Final Payment Date	Years Remaining	Weighted Average Life
1B140	208,352.77	08/31/2014	4.09	2.31
1B142	208,352.77	08/31/2014	4.09	2.31
1B150	227,997.37	11/30/2016	6.34	3.52
1B152	227,997.37	11/30/2016	6.34	3.52
1B160	370,784.62	11/30/2018	8.34	4.47
1B162	370,784.62	11/30/2018	8.34	4.47
1B170	353,721.41	08/31/2021	11.09	6.08
1B171	270.03	08/31/2021	11.09	6.11
1B173	364,337.90	08/31/2021	11.09	6.11
1B180	684,995.19	01/31/2025	14.52	8.15
1B182	684,995.19	01/31/2025	14.52	8.15
1B190	858,863.14	08/31/2028	18.10	10.43
1B195	674,873.59	08/31/2028	18.10	10.43
1B196	183,975.71	08/31/2028	18.10	10.43
<b>Totals</b>	<b>5,420,301.68</b>		<b>18.10</b>	<b>7.25</b>

Note: The Principal loan balances above are as of July 31, 2010.

**Interest Savings (over life of notes):**

<u>Total Interest RUS @ 5.00%</u>	<u>Total Interest CoBank @ 4.52%</u>	<u>Total Savings</u>
\$1,954,024	\$1,796,357	\$157,654
<b>CoBank Cash Patronage Refund:</b>		<b>\$254,042</b>
<b>CoBank Stock Patronage Refund:</b>		<b><u>\$136,792</u></b>
<b>Total Life Time Benefit:</b>		<b><u>\$548,488</u></b>
<b>Present Value of Benefit (discounted @ 5.00%)</b>		<b><u>\$366,934</u></b>

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

**PROMISSORY NOTE AND SUPPLEMENT**  
(RUS Refinance)

**THIS PROMISSORY NOTE AND SUPPLEMENT** (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of November 24, 2003 (as amended or restated, the "MLA") is entered into as of August 16, 2010, between **TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION (D/B/A TAYLOR COUNTY RECC)**, a Kentucky cooperative corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

**SECTION 1. The Commitment.** On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$5,420,301.68 (the "Commitment"). CoBank's obligation to make the loan shall expire at 12:00 Noon, Company's local time, on August 17, 2010, or on such later date as CoBank may, in its sole discretion, authorize in writing.

**SECTION 2. Purpose.** The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made by the United States of America (the "Government") to the Company and described on Exhibit A hereto (the "Existing Loan(s)").

**SECTION 3. Availability.** Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company: (A) on a date to be agreed upon by the parties (the "Closing Date"); (B) upon written request of an authorized officer of the Company in form and content prescribed by CoBank (the "Request for Loan"); (C) in a single advance; and (D) by CoBank remitting the proceeds of the loan directly to the Government by wire transfer.

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

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

**(B) Quoted Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period shall be 180 days; (2) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (3) the maximum number of fixes in place at any one time shall be five. The Company has selected a fixed rate of 4.52% per annum through the maturity date of August 20, 2028.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any

installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month or on such other day in such month as CoBank shall require in a written notice to the Company.

**SECTION 5. Loan Origination Fee.** (Waived by CoBank.)

**SECTION 6. Promissory Note.** The Company promises to repay the loan to CoBank or order in accordance with the payment schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay to CoBank or order interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

**SECTION 7. Prepayment.** Subject to the Broken Funding Surcharge provision of the MLA, the Company may prepay the loan in whole or in part. All partial prepayments shall be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall direct.

**SECTION 8. Security.** The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA. Without limiting the foregoing, the Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured by that certain Restated Mortgage and Security Agreement dated as of November 1, 2004, among the Company, the Government, and CoBank, as same has been and may be amended, supplemented or restated from time to time (the "Mortgage").

**SECTION 9. Additional Conditions Precedent.** In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank):

(A) **Request for Loan.** A duly completed and executed Request for Loan;

(B) **Payoff Letter.** A payoff letter or spreadsheet from the Government setting forth, as of the Closing Date, the unpaid principal balance of the Existing Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to RUS for or on account of the Existing Loan(s);

(C) **Additional RUS Payment.** Immediately available funds in an amount sufficient to pay all interest accrued on the Existing Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts owing to the Government for or on account of the Existing Loans (the "Additional RUS Payment");

(D) **Supplemental Mortgage.** A duly executed supplemental mortgage and security agreement (the "Supplemental Mortgage") to the Mortgage;

(E) **Notice to Mortgagees.** Such evidence as may be satisfactory to CoBank that the Company has notified the Government of the refinancing (as required by Section 2.02 of the Mortgage).

**SECTION 10. Additional Affirmative Covenants.** In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that:

(A) **Discharge of Existing Loans.** If for any reason the funds remitted to the Government are insufficient to discharge all of the Company's obligations to the Government for or on account of the Existing Loan(s), the Company will promptly make such additional payments to Government as may be required to discharge such obligations in full; and

(B) **Post Closing Items.** Within 90 days of the date hereof, the Company will: (1) cause the Government to sign the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places required by Law in order for the Mortgage to accord CoBank, as security for the Company's obligations hereunder and, to the extent related hereto, the MLA a duly perfected and recorded Lien on all real property and interests in real property subject to the Mortgage; and (3) furnish to CoBank (a) recorded, file-stamped copies of the Supplemental Mortgage showing that it has been recorded in each place required above; (b) such evidence as CoBank may reasonably require that there are no Liens on any property of the Company other than Liens permitted by the Mortgage; (c) such evidence as may be satisfactory to CoBank that all taxes and other governmental charges arising from the transactions contemplated hereby or the recording of any security instrument or documents, if any, have been paid; and (d) an opinion of its counsel (which opinion and counsel must be acceptable to CoBank).

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

**CoBANK, ACB**

By:

Title: Assistant Corporate Secretary

**Irene Matlin**

**TAYLOR COUNTY RURAL ELECTRIC  
COOPERATIVE CORPORATION (D/B/A TAYLOR  
COUNTY REC)**

By:

Title:

President

**EXHIBIT A**

**DESCRIPTION OF RUS LOANS TO BE REFINANCED**

The Existing Loan(s) are as follows:

<b>Lender</b>	<b>RUS Loan No.</b>
RUS	1B140
RUS	1B142
RUS	1B150
RUS	1B152
RUS	1B160
RUS	1B162
RUS	1B170
RUS	1B171
RUS	1B173
RUS	1B180
RUS	1B182
RUS	1B190
RUS	1B195
RUS	1B196

**EXHIBIT B****REPAYMENT SCHEDULE**

<b>PAYMENT DUE DATE</b>	<b>PRINCIPAL PAYMENT DUE</b>
08/20/2010	\$57,236.11
09/20/2010	\$20,790.57
10/20/2010	\$20,258.66
11/20/2010	\$58,692.95
12/20/2010	\$20,433.68
01/20/2011	\$20,520.47
02/20/2011	\$60,739.29
03/20/2011	\$20,702.83
04/20/2011	\$21,390.94
05/20/2011	\$59,459.22
06/20/2011	\$21,564.68
07/20/2011	\$21,061.85
08/20/2011	\$60,215.10
09/20/2011	\$21,826.77
10/20/2011	\$21,333.80
11/20/2011	\$61,653.69
12/20/2011	\$21,517.82
01/20/2012	\$21,609.22
02/20/2012	\$62,986.44
03/20/2012	\$21,797.96
04/20/2012	\$22,455.27
05/20/2012	\$62,547.65
06/20/2012	\$22,637.89
07/20/2012	\$22,175.42
08/20/2012	\$63,342.51
09/20/2012	\$22,913.57
10/20/2012	\$22,461.44
11/20/2012	\$64,761.90
12/20/2012	\$22,654.92
01/20/2013	\$22,751.13
02/20/2013	\$66,696.05
03/20/2013	\$22,951.56
04/20/2013	\$23,576.38
05/20/2013	\$65,797.20
06/20/2013	\$23,768.41
07/20/2013	\$23,348.37
08/20/2013	\$66,633.06
09/20/2013	\$24,058.40
10/20/2013	\$23,649.28
11/20/2013	\$68,032.26
12/20/2013	\$23,852.70
01/20/2014	\$23,954.00
02/20/2014	\$69,905.94
03/20/2014	\$24,164.18
04/20/2014	\$24,754.86
05/20/2014	\$69,212.54
06/20/2014	\$24,956.75
07/20/2014	\$24,581.40
08/20/2014	\$70,068.83



<b>PAYMENT DUE DATE</b>	<b>PRINCIPAL PAYMENT DUE</b>
09/20/2014	\$25,261.78
10/20/2014	\$24,897.88
11/20/2014	\$44,104.12
12/20/2014	\$25,111.77
01/20/2015	\$25,218.41
02/20/2015	\$45,576.81
03/20/2015	\$25,438.84
04/20/2015	\$25,993.63
05/20/2015	\$44,742.75
06/20/2015	\$26,205.89
07/20/2015	\$25,877.48
08/20/2015	\$45,313.41
09/20/2015	\$26,526.73
10/20/2015	\$26,210.39
11/20/2015	\$46,326.30
12/20/2015	\$26,435.26
01/20/2016	\$26,547.52
02/20/2016	\$47,308.89
03/20/2016	\$26,776.95
04/20/2016	\$27,294.08
05/20/2016	\$47,072.84
06/20/2016	\$27,517.24
07/20/2016	\$27,238.10
08/20/2016	\$47,672.97
09/20/2016	\$27,854.66
10/20/2016	\$27,588.24
11/20/2016	\$44,673.47
12/20/2016	\$27,824.63
01/20/2017	\$27,942.81
02/20/2017	\$29,158.41
03/20/2017	\$28,185.28
04/20/2017	\$28,662.76
05/20/2017	\$28,426.68
06/20/2017	\$28,897.36
07/20/2017	\$28,670.10
08/20/2017	\$28,791.86
09/20/2017	\$29,252.28
10/20/2017	\$29,038.36
11/20/2017	\$29,491.82
12/20/2017	\$29,286.90
01/20/2018	\$29,411.29
02/20/2018	\$30,490.43
03/20/2018	\$29,665.66
04/20/2018	\$30,101.47
05/20/2018	\$29,919.47
06/20/2018	\$30,348.15
07/20/2018	\$30,175.40
08/20/2018	\$30,303.55
09/20/2018	\$30,721.40
10/20/2018	\$30,562.66
11/20/2018	\$22,537.59
12/20/2018	\$21,635.69
01/20/2019	\$21,727.55
02/20/2019	\$22,635.10

PAYMENT DUE	DATE	PRINCIPAL
\$21,915.94	03/20/2019	
\$22,274.66	04/20/2019	
\$22,103.60	05/20/2019	
\$22,457.04	06/20/2019	
\$22,292.82	07/20/2019	
\$22,387.49	08/20/2019	
\$22,732.96	09/20/2019	
\$22,579.10	10/20/2019	
\$22,919.17	11/20/2019	
\$22,772.30	12/20/2019	
\$22,869.02	01/20/2020	
\$23,435.70	02/20/2020	
\$23,065.66	03/20/2020	
\$23,392.02	04/20/2020	
\$23,262.96	05/20/2020	
\$23,583.76	06/20/2020	
\$23,461.88	07/20/2020	
\$23,561.50	08/20/2020	
\$23,873.91	09/20/2020	
\$23,762.96	10/20/2020	
\$24,069.69	11/20/2020	
\$23,966.07	12/20/2020	
\$24,067.84	01/20/2021	
\$24,757.91	02/20/2021	
\$24,275.19	03/20/2021	
\$24,567.51	04/20/2021	
\$24,482.61	05/20/2021	
\$24,769.09	06/20/2021	
\$24,691.77	07/20/2021	
\$22,197.53	08/20/2021	
\$18,001.49	09/20/2021	
\$17,905.24	10/20/2021	
\$18,149.06	11/20/2021	
\$18,058.34	12/20/2021	
\$18,135.04	01/20/2022	
\$18,693.03	02/20/2022	
\$18,291.42	03/20/2022	
\$18,524.36	04/20/2022	
\$18,447.78	05/20/2022	
\$18,676.30	06/20/2022	
\$18,605.42	07/20/2022	
\$18,684.42	08/20/2022	
\$18,906.31	09/20/2022	
\$18,844.06	10/20/2022	
\$19,061.44	11/20/2022	
\$19,005.02	12/20/2022	
\$19,085.73	01/20/2023	
\$19,555.38	02/20/2023	
\$19,249.84	03/20/2023	
\$19,455.79	04/20/2023	
\$19,414.19	05/20/2023	
\$19,615.53	06/20/2023	
\$19,579.93	07/20/2023	
\$19,663.10	08/20/2023	

PAYMENT DUE DATE	PAYMENT DUE
09/20/2023	\$19,857.40
10/20/2023	\$19,830.90
11/20/2023	\$20,020.52
12/20/2023	\$20,000.14
01/20/2024	\$20,085.09
02/20/2024	\$20,364.70
03/20/2024	\$20,256.84
04/20/2024	\$20,434.46
05/20/2024	\$20,429.65
06/20/2024	\$20,602.39
07/20/2024	\$20,603.90
08/20/2024	\$20,691.39
09/20/2024	\$20,856.76
10/20/2024	\$20,867.84
11/20/2024	\$21,028.24
12/20/2024	\$21,045.72
01/20/2025	\$14,134.54
02/20/2025	\$10,271.94
03/20/2025	\$10,123.26
04/20/2025	\$10,227.56
05/20/2025	\$10,209.68
06/20/2025	\$10,311.54
07/20/2025	\$10,296.83
08/20/2025	\$10,340.55
09/20/2025	\$10,438.73
10/20/2025	\$10,428.78
11/20/2025	\$10,524.48
12/20/2025	\$10,517.76
01/20/2026	\$10,562.44
02/20/2026	\$10,748.53
03/20/2026	\$10,652.94
04/20/2026	\$10,742.33
05/20/2026	\$10,743.78
06/20/2026	\$10,830.62
07/20/2026	\$10,835.41
08/20/2026	\$10,881.43
09/20/2026	\$10,964.38
10/20/2026	\$10,974.18
11/20/2026	\$11,054.54
12/20/2026	\$11,067.74
01/20/2027	\$11,114.74
02/20/2027	\$11,249.50
03/20/2027	\$11,209.71
04/20/2027	\$11,283.42
05/20/2027	\$11,305.23
06/20/2027	\$11,376.26
07/20/2027	\$11,401.55
08/20/2027	\$11,449.96
09/20/2027	\$11,516.91
10/20/2027	\$11,547.50
11/20/2027	\$11,611.70
12/20/2027	\$11,645.84
01/20/2028	\$11,695.30
02/20/2028	\$11,765.72

<b>PAYMENT DUE</b>	<b>DATE</b>
\$11,794.92	03/20/2028
\$11,852.16	04/20/2028
\$11,895.34	05/20/2028
\$11,949.76	06/20/2028
\$11,996.61	07/20/2028
\$4,514.77	08/20/2028
<b>TOTAL</b>	

\$5,420,301.68

\$4,514.77

\$11,996.61

\$11,949.76

\$11,895.34

\$11,852.16

\$11,794.92

**PAYMENT DUE**

**PRINCIPAL**

RUS PROJECT DESIGNATION:

KENTUCKY 23-AA71 TAYLOR

RESTATEMORTGAGE

AND

SECURITY AGREEMENT

made by and among

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

625 West Main Street

Campbellsville, Kentucky 42718,

Mortgagor, and

UNITED STATES OF AMERICA

Rural Utilities Service

Washington, D.C. 20250-1500,

Mortgagee, and

COBANK, ACB

5500 South Quebec Street

Greenwood Village, Colorado 80111-1914,

Mortgagee

Dated as of November 1, 2004

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 0050749.

- B. all of the Mortgagor's interest in fixtures, easements, permits, licenses and rights-of-way comprising real
- 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;

**GRANTING CLAUSE FIRST**

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:

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;

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

WHEREAS, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations hereof 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, the Government and CoBank or its predecessor, are parties to that certain Restated Mortgage and Security Agreement dated as of June 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 Rural Electrification Administration, the predecessor of RUS, and CoBank;

**RECITALS**

RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of November 1, 2004 (hereinafter sometimes called this "Mortgage"), is made by and among TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government") and COBANK, ACB (hereinafter called "CoBank"), a federally chartered instrumentality of the United States, and is intended to confer rights and benefits on both the Government 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 and CoBank and any such other lenders being herein sometimes collectively referred to as the "Mortgagees").

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

GRANTING CLAUSE SECOND

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

ALSO ALL OTHER PROPERTY, real estate, lands, easements, servitudes, licenses, permits, allowances, 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 appropriation, 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 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, tacks, 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 personally; 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;

- 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
- C. all right, title and interest of the Mortgagor in and to those contracts of the Mortgagor relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Mortgagor,
  - (i) for the purchase of electric power and energy by the Mortgagor and having an original term in excess of 3 years,
  - (ii) 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;

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Together with (subject to the rights of the Mortgagee set forth in Section 5.01) all and singular the easements, 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, businesses or operations of the Mortgagee, 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 Mortgagee, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Mortgagee in and to the same and every part thereof (other than Excepted Property with respect to any of the foregoing).

**GRANTING CLAUSE SEVENTH**

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 Mortgagee 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 subsection 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 Mortgagee 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 SIXTH**

All other property, real, personal or mixed, of whatever kind and description and whatsoever situated, including without limitation goods, accounts, moneys 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 Mortgagee, but excluding Excepted Property, now owned or which may be hereafter acquired by the Mortgagee, it being the intention hereof that all property, rights, privileges, allowances and franchises now owned by the Mortgagee or acquired by the Mortgagee 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 FIFTH**

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

**GRANTING CLAUSE FOURTH**

With the exception of Excepted Property, all right, title and interest of the Mortgagee in, to and under any and all agreements, leases or contracts heretofore or hereafter executed by and between the Mortgagee 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 THIRD**

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);



PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default, any Mortgage, 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)

- J. the property identified in Schedule "C" hereto.
- 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 Mortgage 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
- 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 Notcholders 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;
- G. all timber and crops (both growing and harvested) and all coal, ore, gas, oil and other minerals (both in place or severed);
- 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;
- E. all leasehold interests for office purposes;
- D. all office furniture, equipment and supplies that is not data processing, accounting or other computer equipment or software;
- C. all vessels, boats, ships, barges and other marine equipment, all airplanes, aircraft engines and other flight equipment, and all tools, accessories and supplies used in connection with any of the foregoing;
- 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;
- 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;

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"):

**EXCEPTED PROPERTY**

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

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

**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.

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.

**Section 1.01. Definitions.**

**DEFINITIONS & OTHER PROVISIONS OF GENERAL APPLICATION**

**ARTICLE I**

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

**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, 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 heretofore 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.

**HABENDUM**

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;

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.

Debt Service Coverage Ratio ("DSCR") 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 TDR) 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, piping, 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 constituted 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.

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

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.

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

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.

Mortgaged Property shall have the meaning specified as stated in the Habendum to the Granting of or supplements hereto from time to time.

Mortgage shall mean this Restated Mortgage and Security Agreement, including any amendments hereto.

Maximum Debt Limit, if any, shall mean the amount more particularly described in Schedule "A" Margins shall mean the sum of amounts recorded as operating margins and non-operating margins as computed in accordance with 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.

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

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.

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.

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

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.

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

Original Notes shall mean the Notes listed on Schedule "A" hereof as such, such Notes being instruments evidencing indebtedness of the Mortgagee (i) to the Government (including indebtedness which has been issued by the Mortgagee 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 heretofore 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, incises 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 Mortgagee;
- (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 Mortgagee 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 Mortgagee 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 Mortgagee shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagee shall have secured a stay of execution pending such appeal or proceedings for review; PROVIDED the Mortgagee shall have set aside on its books adequate reserves with respect thereto;
- (6) casements and similar rights granted by the Mortgagee over or in respect of any Mortgaged Property, PROVIDED that in the opinion of the Board or a duly authorized officer of the Mortgagee such grant will not impair the usefulness of such property in the conduct of the Mortgagee's business and will not be prejudicial to the interests of the Mortgagee, and similar rights granted by any predecessor in title of the Mortgagee;
- (7) casements, leases, reservations or other rights of others in any property of the Mortgagee 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

- (17) any right which any municipal or governmental authority may have by virtue of any franchise;
  - (16) any obligations or duties, affecting the property of the Mortgagor, to any municipal or governmental or other public authority with respect to any franchise, grant, license or permit;
  - (15) rights reserved to, or vested in, any municipal 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;
  - (14) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereon, 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;
  - (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;
  - (12) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
  - (11) any lien or privilege vested in any lessor, licensor or permittee 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;
  - (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;
  - (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 Mortgagor 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;
  - (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;
- 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;
- 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;

- (18) as to properties of other operating electric companies acquired after the date of this Mortgage by the Mortgagee 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 Mortgagee 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 deceased mortgage or indenture of the Mortgagee;
  - (21) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagee 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 permittee 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 Mortgagee 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 Mortgagee'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 Mortgagee after the date hereof, including property in the process of construction, insofar as not reflected on the books of the Mortgagee with respect to periods on or prior to the date hereof, and
  - (2) used or useful in the utility business of the Mortgagee conducted with the properties described in the Granting Clauses of this Mortgage, even though separate from and not physically connected with such properties.





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

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

**Times Interest Earned Ratio ("TIER")** shall mean the ratio determined as follows: for each calendar year: add (i) patronage capital or margins of the Mortgage and (ii) Interest Expense on Total Long-Term Debt of the Mortgage and divide the total so obtained by Interest Expense on Total Long-Term Debt of the Mortgage, 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 Mortgage over 2% of the Mortgage's Equity.

**Title Evidence** shall mean with respect to any real property:

- (1) an opinion of counsel to the effect that the Mortgagee 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 Mortgage, 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 Mortgagee or does not substantially impair the usefulness of such property for the purpose of the Mortgage 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

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 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 Mortgagee, all such statutory rights are reserved except to the extent that they are expressly modified or waived in this Mortgage.

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

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 1.02. General Rules of Construction:**

Utility System shall mean the Electric System and all of the Mortgagee'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.

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.

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

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

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

(2) a mortgagee's policy of title insurance in the amount of the cost to the Mortgagee of the land included in Property Additions, as such cost is determined by the Mortgagee 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 Mortgagee 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 Mortgagee lawfully owns and is possessed of such property.

- (i) The Mortgagee 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 Mortgagee, the ratio of the Mortgagee'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 Mortgagee, the Mortgagee 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 is added to the
- (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:

(a) Without the prior consent of any Mortgagee or any Noteholder, the Mortgagee may issue Additional Notes to the Government or to another lender or lenders for the purpose of acquiring, procuring or consueing 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:

**ARTICLE II  
ADDITIONAL NOTES**

**Section 2.01. Additional Notes:**

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 Mortgagee 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.

**Section 1.05. Notices:**

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 1.04. Governing Law:**

The Mortgagee 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 Mortgagee may not exercise its rights under this Section if an Event of Default has occurred and is continuing, or any event which 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 Mortgagee 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 2.02.

Refunding or Refinancing Notes:

- (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 Mortgagee; and
  - (3) For purposes of calculating the pro forma ratios in subparagraphs (a)(i)(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 recent 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.
- (b) For purposes of this section:
- (1) The Mortgagee'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.
  - (2) No Event of Default has occurred and is continuing hereunder, or any event which 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 Mortgagee's Utility System.
  - (4) The Mortgagee'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.

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 3.01. Payment of Debt Service on Notes:**

**PARTICULAR COVENANTS OF THE MORTGAGOR**

**ARTICLE III**

- (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 Mortgage and that Mortgage 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 Mortgage 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.

**Section 2.05. Form of Supplemental 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 supplemental instrument 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 2.04. Additional Lenders Entitled to the Benefit of This Mortgage:**

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 2.03. Other Additional Notes:**

(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

(b) The Mortgagee 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 Mortgagee will furnish to each Mortgagee:

(a) All property of every kind, other than Excepted Property, acquired by the Mortgagee after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagee, 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 Mortgagee 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 Mortgagee's 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.

Section 3.03.

After-Acquired Property; Further Assurances; Recording:

(c) The Mortgagee 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 whatsoever, except Permitted Encumbrances.

(b) At the time of the execution and delivery of this instrument, the Mortgagee lawfully owns and is possessed of the personal property specifically described in Granting Clause First through Section, subject to no mortgage, lien, charge or encumbrance except as stated herein, 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.

(a) At the time of the execution and delivery of this instrument, the Mortgagee 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 herein, 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.

Section 3.02.

Warranty of Title:

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 proceedings, 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.

(c)

(3) any lien or claim imposed under any Environmental Law related to clause (1).

(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

(1) the past, present, or future presence of any hazardous substance, contaminant, pollutant, or hazardous waste on or related to the Mortgaged Property;

(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:

(a) The Mortgagor shall, with respect to all facilities which may be part of the Mortgaged Property, comply with all Environmental Laws.

**Section 3.04. Environmental Requirements and Indemnity:**

(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 owed 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.

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

- (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;

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")

**Section 3.08. Restrictions On Additional Permitted Debt:**

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 3.07. Restrictions on Further Encumbrances on Property:**

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

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 payments will not be contrary to any applicable laws) all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the Lien or interests of the Noteholders or of the Mortgages 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 Mortgages 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 3.05. Payment of Taxes:**



- (4) the Mortgagee shall have delivered to the Mortgagee 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;
  - (3) immediately after giving effect to such transaction, no default hereunder shall have occurred and be continuing;
  - (2) the entity formed by such consolidation or with which the Mortgagee is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entity shall execute and deliver to the Mortgagee 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;
  - (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 Mortgagee hereunder;
- The Mortgagee 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 entity unless:

**Section 3.10. Limitations on Consolidations and Mergers:**

The Mortgagee 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 effect on the Mortgagee's financial condition or business. The Mortgagee 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 effect on the Mortgagee's financial condition or business.

**Section 3.09. Preservation of Corporate Existence and Franchises:**

PROVIDED, FURTHER, by executing this Mortgage any consent of RUS that the Mortgagee 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.

PROVIDED, However, that the Mortgagee 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.

- (7) Subordinated Indebtedness approved by each Mortgagee;
- (6) Debt represented by dividends declared but not paid; and
- (5) Unsecured indebtedness for borrowed money;

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
- (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.
- (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

Section 3.11.

Limitations on Transfers of Property:

- (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.
- (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 -

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

Mortgagee'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 Mortgagee Property, or any part thereof, with an adequate supply of electric power and energy. If any substantial part of the Mortgagee Property is leased by the Mortgagee to any other party, the lease agreement between the Mortgagee 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 Mortgagee to operate the leased facilities in the event of any failure by the lessee to so comply.

(b) If in the sole judgment of any Mortgagee, the Mortgagee Property is not being maintained and repaired in accordance with paragraph (a) of this section, such Mortgagee may send to the Mortgagee a written report of needed improvements and the Mortgagee will upon receipt of such written report promptly undertake to accomplish such improvements.

(c) The Mortgagee 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 Mortgagee 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 Mortgagee, as to the condition of the Mortgagee Property. If in the sole judgment of any Mortgagee the Engineer's Certification discloses the need for improvements to the condition of the Mortgagee Property or any other operations of the Mortgagee, such Mortgagee may send to the Mortgagee a written report of such improvements and the Mortgagee 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 Mortgagee Property:**

(a) The Mortgagee 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 Mortgagee 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 Mortgagee Property, shall provide that the insurance shall be payable to the Mortgagee 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 Mortgagee Property which is used or useful in the Mortgagee's business and which shall be covered by insurance, unless each Mortgagee shall otherwise agree, the Mortgagee shall replace or restore such damaged, destroyed or lost portion so that such Mortgagee Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss,

Any Mortgagee may, at any time or times in succession without notice to or the consent of the Mortgagee, or any other Mortgagee, and upon such terms as such Mortgagee may prescribe, grant 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 Mortgagee 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 3.15.**

**Time Extensions for Payment of Notes:**

The Mortgagee 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 Mortgagee, but shall not be obligated to, advance funds on behalf of the Mortgagee, in order to insure the Mortgagee's compliance with any covenant, warranty, representation or agreement of the Mortgagee made in or pursuant to this Mortgage or any of the Loan Agreements, to preserve or protect any right or interest of the Mortgagee 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 Mortgagee; 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 Mortgagee of any such Event of Default. The Mortgagee 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 3.14.**

**Mortgagee Right to Expend Money to Protect Mortgaged Property:**

and shall apply the proceeds of the insurance for that purpose. The Mortgagee shall 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 Mortgagee 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 Mortgagee, 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 Mortgagee 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 Mortgagee 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 Mortgagee shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

The Mortgagee 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 Mortgagee will enforce the payment of any and all amounts owing to the Mortgagee 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 3.19.**

**Limitations on Providing Free Electric Services:**

The Mortgagee 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 3.18.**

**Rights of Way, etc., Necessary in Business:**

The Mortgagee 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 Mortgagee will send promptly to each Mortgagee notice of any default by the Mortgagee under any Loan Agreement and notice of any amendment to any Loan Agreement. Upon request of any Mortgagee, the Mortgagee will furnish to such Mortgagee single copies of such Loan Agreements and amendments hereto as such Mortgagee may request.

**Section 3.17.**

**Compliance with Loan Agreements; Notice of Amendments to and Defaults under Loan Agreements:**

- (1) A certificate of a duly authorized officer of the Mortgagee 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.

**(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:

- (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 Mortgagee: first, to the ratable payment of any indebtedness secured by this Mortgage other than principal 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.

**Section 3.16.**

**Application of Proceeds from Condemnation:**

- (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,

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

**Section 4.01. Events of Default:**

**EVENTS OF DEFAULT AND REMEDIES**

**ARTICLE IV**

- (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 of 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 hereto if filed prior to the date hereof.

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 hereto that:

**Section 3.22. Authorization to File Financing Statements:**

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

**Section 3.21. Maximum Debt Limit:**

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 3.20. Keeping Books; Inspection by Mortgagee:**

- (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 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 Mortgagee 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.
- (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 Mortgagee 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.

**Section 4.02. Acceleration of Maturity; Rescission and Annulment:**

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

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 Mortgagee hereby expressly consents that the court to which such application shall be made may make said appointment; and

(b)

take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagee 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 Mortgagee 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;

(a)

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:

**Section 4.03. Remedies of Mortgagees:**

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 Mortgagee, 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.

(d)

immediately by a notice in writing to the 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 Loan Agreements to the contrary notwithstanding.



The Mortgagee, 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

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

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 4.05. Remedies Cumulative; No Election:**

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 4.04. Application of Proceeds from Remedial Actions:**

(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.

(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 Mortgagee therein or thereon, 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 Mortgagee 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) or 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; 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.

Other than any Notes excluded by the foregoing Sections 5.01 and 5.02 and Notes which have become due and payable, the Mortgagee 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

**Section 5.03.**

**Special Defeasance:**

If the Mortgagee 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 herein provided, and shall also pay or cause to be paid all other sums payable by the Mortgagee 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 Mortgagee and the estate, 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 Mortgagee but at the Mortgagee'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 Mortgagee of all principal of (and premium, if any) and interest on any Note held by such Mortgagee and the payment and discharge by the Mortgagee of all charges due to such Mortgagee hereunder or under any Loan Agreement, shall execute and deliver to the Mortgagee such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

**Section 5.02.**

**Defeasance:**

Until some one or more of the Events of Default shall have happened, the Mortgagee 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, and profits thereof or herefrom, subject to the provisions of this Mortgage.

**Section 5.01.**

**Possession Until Default:**

**POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE**

**ARTICLE V**

The Mortgagee 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.

**Section 4.07.**

**Notice of Default:**

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 thereof, and the Mortgagee, 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.

shall execute and deliver to the Mortgagee 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 Mortgagee 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 Mortgagee 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 Mortgagee 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 Mortgagee 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, 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 Mortgagee as debtor, and the Mortgagees as secured parties are as set forth in Schedule "A" hereof. If any Mortgagee so directs the Mortgagee to do so, the Mortgagee 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

IN WITNESS WHEREOF, TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION, as Mortgagee, 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 hereunto duly authorized, UNITED STATES OF AMERICA, 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.

The Mortgagee 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 Mortgagee'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.

Section 6.06.

Indemnification by Mortgagee of Mortgagees:

statement. PROCEEDS OF COLLATERAL ARE COVERED HEREBY. The Mortgagee 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 Mortgagee's organizational identification number or accurately states that the Mortgagee has none.

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
 by *[Signature]*, President

(Seal) *[Signature]*  
 Attest:  
 Secretary

Excused by the Mortgagee  
 in the presence of:

*[Signature]*  
*[Signature]*  
 Witnesses

(SEAL)  
 Attest: *Robert Pace*  
 Robert Pace  
 Assistant Corporate Secretary  
 Executed by COBank, ACB, Mortgage, in the  
 presence of:  
*Robert Pace*  
~~*Robert Pace*~~  
 Witnesses

COBANK, ACB  
 by *Fenny Fichasco*  
 Fenny Fichasco  
 Assistant Corporate Secretary

Executed by United States of America,  
 Mortgage, in the presence of:  
*Michelle L. Richardson*  
 Michelle L. Richardson  
 CYNTHIA E. GAIN  
 Witnesses

UNITED STATES OF AMERICA  
 by *[Signature]*  
 Director - Northern  
 Regional Division  
 of the  
 Rural Utilities Service

My Commission expires:

4/9/09

(Notarial Seal)

Notary Public in and for Taylor County, Kentucky

*[Handwritten Signature]*

Given under my hand this 5th day of May, 2005

I, John F. Patterson, a Notary Public in and for the County and Commonwealth of Kentucky, do hereby certify that Donald D. Shuffert, personally known to me to be the President of Taylor County Rural Electric Cooperative Corporation, a corporation of the Commonwealth of Kentucky, and to me known to be the identical person whose name is as President 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 President 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.

COMMONWEALTH OF KENTUCKY  
COUNTY OF Taylor

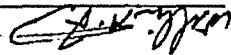
)  
) SS  
)

(Notarial Seal)

William A. Frost  
Notary Public, District of Columbia  
My Commission Expires 04/14/2006

My commission expires:

Notary Public



written.

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

herein mentioned. acknowledged to me that, acting under a delegation of authority given and evidenced by law and presently in Northern Regional Division of the Rural Utilities Service, an agency of the United States of America, and effect, she executed said instrument as the act and deed of the United States of America for the uses and purposes

, who, being duly sworn, did say that she is the Director -  
, personally appeared before me  
, 2004

**NIVIN A. ELGOHARY**

On this 21<sup>st</sup> day of October

DISTRICT OF COLUMBIA

SS

*[Signature]*  
 Notary Public - State of Colorado  
*[Signature]*  
*Angie A. Weisbrod*

My commission expires: June 9, 2006

Witness my hand and official seal.

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_, Assistant Corporate Secretary of Cobank, ACB, a federally chartered instrumentality of the United States, on behalf of said entity.

*[Signature]*  
 Robert Pace

STATE OF COLORADO  
 COUNTY OF ARAPAHOE  
 )  
 ) ss.  
 )



**SCHEDULE A: Part One**

1. The Maximum Debt Limit referred to in Section 1.01 is \$100,000,000.00

2. The state referred to in Section 1.04 is Kentucky.

3. The addresses of the parties referred to in Sections 1.05 and 6.05 are as follows:

As to the Mortgagor:

Taylor County Rural Electric Cooperative Corporation  
625 West Main Street  
Campbellsville, Kentucky 42718

As to the Mortgagees:

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

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:

Instrument Title

Instrument Date

Revised Mortgage and Security Agreement June 1, 1999

<sup>2</sup>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.

"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.

Loan Designation	Face Amount	Date	Final Maturity	% Rate <sup>2</sup>
S7	\$1,743,000.00	28 Sep 1979	28 Sep 2014	5.00
T7	\$1,323,000.00	7 Jan 1982	7 Jan 2017	5.00
U7	\$1,750,000.00	1 Dec 1983	1 Dec 2018	5.00
V7	\$1,349,000.00	18 Oct 1986	18 Oct 2021	5.00
W7	\$2,150,000.00	1 Mar 1990	1 Mar 2025	5.00
X7	\$2,334,000.00	28 Oct 1993	28 Oct 2028	5.00
Y71	\$4,479,000.00	3 Aug 1995	3 Aug 2030	V
Z71	\$3,549,000.00	1 Jun 1999	1 Jun 2034	V
AA71	\$1,541,000.00	1 Nov 2004	1 Nov 2039	V

**ORIGINAL NOTES issued to the Government<sup>1</sup>**

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

Cobank

**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 Cobank, ACB**

Payor: Taylor County RECC

<u>Note</u>	<u>Designation</u>	<u>Amount</u>	<u>Face</u>	<u>Date</u>	<u>Final</u>
RIML0654T9	RIML0654T1	\$1,522,000.00	\$449,840.00	November 24, 2003	May 20, 2014
RIML0654T8	RIML0654T4	\$449,840.00	\$449,840.00	November 24, 2003	July 20, 2020
RIML0654T7	RIML0654T5	\$545,059.00	\$545,059.00	November 24, 2003	December 20, 2005
RIML0654T6	RIML0654T6	\$869,983.49	\$869,983.49	November 24, 2003	July 20, 2015
RIML0654T7	RIML0654T7	\$955,742.82	\$955,742.82	November 24, 2003	May 20, 2008
RIML0654T8	RIML0654T8	\$1,902,049.69	\$1,902,049.69	November 24, 2003	August 20, 2028
RIML0654T9	RIML0654T9	\$660,000.00	\$660,000.00	Even Date Hereof	35 Years from the Date Hereof

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 2 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: the Counties of Adair, Casey, Cumberland, Green, Hart, Marion, Meigs, Mingo, Russell and Taylor 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 1, 1964, between the Morgantown and East Kentucky Power Cooperative, Inc., as amended.

**Property Schedule**

**SCHEDULE B**

1. A certain tract of land described in a certain deed, dated December 5, 1946, by Johnie Burkholder and Floy B. Burkholder, his wife, as grantors, to the Mortgagor, as grantee, recorded December 9, 1946, in the Office of the Clerk of the County Court, Taylor County, in the State of Kentucky, in Deed Book 65, page 382; except for partial release of approximately 1.9 A. sold to Kentucky Department of Transportation, Bureau of Highways recorded 12/6/77 Deed Book 133, page 299, in Office of Taylor County Court Clerk, State of Kentucky;
  2. A certain tract of land described in a certain deed, dated April 3, 1954, by Earl Tomes and Pearl Tomes, his wife, as grantors, to the Mortgagor, as grantee, recorded April 7, 1954, in the Office of the Clerk of the County Court, Taylor County, in the State of Kentucky, in Deed Book 74, page 148;
  3. A certain tract of land described in a certain deed, dated April 11, 1967, by Elmer E. Richardson and Daisy Richardson, his wife, as grantors, to the Mortgagor, as grantee, recorded May 17, 1967, in the Office of the Clerk of the County Court, Taylor County, in the State of Kentucky in Deed Book 94, page 561; except for partial release of .65 A. sold to Union Underwear Company, INC. recorded 1/13/88 Deed Book 163, page 190, in Office of Taylor County Court Clerk, State of Kentucky;
  4. A certain tract of land described in a certain deed, dated June 16, 1978, by Elmer E. Richardson and Daisy Richardson, his wife, as grantors, to the Mortgagor, as grantee, recorded June 17, 1978, in the Office of the Clerk of the County Court, Taylor County, in the State of Kentucky in Deed Book 135, page 287;
- Property 2, 3, and 4: except for partial release of .96 A. sold to East Kentucky Power Cooperative, recorded 2/3/92 Deed Book 180, page 201, in the Office of Taylor County Court Clerk, State of Kentucky;

5. A certain tract of land described in a certain deed, dated October 10, 1951, by Woodrow Blaydes and his wife, Edna Blaydes, as grantors, to the Mortgagor, as grantee, recorded October 17, 1951, in the Office of the Clerk of the County Court, Adair County, in the State of Kentucky in Deed Book 77, page 287; except for partial release of approximately .29 A. sold to East Kentucky Power Cooperative, INC., recorded in Deed Book 145, page 193, in Office of Adair County Clerk, State of Kentucky;
6. A certain tract of land described in a certain deed, dated February 15, 1965, by Clarence Clements and Sarah O. Clements, his wife, as grantors, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of the County of Casey, in the State of Kentucky, in Deed Book 75, page 339;
7. A certain tract of land described in a certain deed, dated April 22, 1965, by Raymond Dillon and Jessie Dillon, his wife, as grantors, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of the County of Casey, in the State of Kentucky, in Deed Book 75, page 463, except for partial release of a strip of property 16' by 258' conveyed to the Casey County Road Department for road building December 29, 1970.
8. A certain tract of land described in a certain deed, dated January 24, 1992, by Morris Butler, Executor of the Will of Leander Creason, deceased, as grantors, to the Mortgagor, as grantee, recorded 6/3/92 in the Office of the Clerk of the County of Taylor, in the State of Kentucky, in Deed Book 181, page 730.
9. A certain tract of land described in a certain deed, dated November 17, 1997, by David W. Hale, Jr. and Teresa Hale, husband and wife, as grantors, to the mortgagor, as grantee, and recorded November 17, 1997, in the Office of the Clerk of the County of Green, in the State of Kentucky, in Deed Book 183, page 638.

**SCHEDULE C**  
**Excepted Property**  
**None.**



Manager's Certificate

Exhibit A

MANAGERS CERTIFICATE REQUIRED UNDER MORTGAGE SECTION 2.01 FOR ADDITIONAL NOTES

On behalf of \_\_\_\_\_ (*Name of Borrower*), (the "Borrower"),

I \_\_\_\_\_ hereby certify as follows:

1. I am the Manager of the Borrower and have been duly authorized to deliver this certificate in connection with the Additional Note or Notes to be issued on or about \_\_\_\_\_ (*Date Note(s) are to be Signed*) pursuant to Section 2.01 of the Mortgage dated \_\_\_\_\_.

2. No Event of Default has occurred and is continuing under the Mortgage, 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 Additional Notes described in paragraph 1 are for the purpose of funding Property Additions being constructed, acquired, procured or replaced that are or will become part of the Borrower's Utility System.

4. The Property Additions referred to in paragraph 3 are Eligible Property Additions, i.e. Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of 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.

5. I have reviewed the certificate of the Independent certified public accountant also being delivered to each of the Mortgages pursuant to Section 2.01 in connection with the aforesaid Additional Note or Notes and concur with the conclusions expressed therein.

6. Capitalized terms that are used in this certificate but are not defined herein have the meanings defined in the Mortgage.

SAMPLE - NOT FOR EXECUTION

Signed

Date

Name

Title

Name and Address of Borrower:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



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

respects duly authorized:

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

Whereas, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Notes listed in Schedule "A" part 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, the Existing Mortgage provides the terms by which additional part 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 Mortgages;

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

Whereas, the Mortgagee 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 Mortgagee hereunder shall be secured on party, 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 as the "Mortgage"); 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 Mortgagee, 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 Mortgagee, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and \_\_\_\_\_; and

**Recitals**

Supplemental Mortgage and Security Agreement, dated as of \_\_\_\_\_, (hereinafter sometimes called this "Supplemental Mortgage") is made by and among \_\_\_\_\_ (hereinafter called the "Mortgagee"), 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").

**Form of Supplemental Mortgage**

**Exhibit B**

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 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.