

SPRAGENS & HIGDON, P.S.C.
ATTORNEYS AT LAW

ROBERT SPRAGENS, JR.*
FREDERICK A. HIGDON

P. O. BOX 681 - 15 COURT SQUARE
LEBANON, KENTUCKY 40033-0681
TELEPHONE (270) 692-3141
FAX: (270) 692-6693

ROBERT SPRAGENS, SR.
(1920-1998)

*ALSO ADMITTED IN GEORGIA

GENERAL E-MAIL: sh@spragenshigdonlaw.com
WRITER'S E-MAIL: rspragens@spragenshigdonlaw.com

November 10, 2010

RECEIVED

NOV 15 2010

PUBLIC SERVICE
COMMISSION

Public Service Commission
ATTN: Mr. Rick Bertelson
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2010-00286
Taylor County RECC

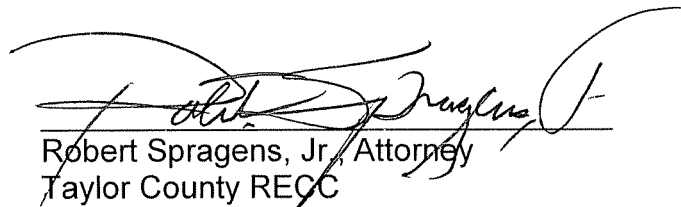
Dear Rick:

Consistent with our telephone conference of November 8th, I enclose herewith a Notice evidencing our filing of three (3) copies of the executed loan documents, that filing being done consistent with the Commission's Order of August 6, 2010.

In the event that we need to do anything else to memorialize for the Commission this loan transaction, please advise, and 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

RECEIVED

NOV 25 2010

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF TAYLOR COUNTY RURAL)
 ELECTRIC COOPERATIVE CORPORATION)
 FOR AUTHORIZATION TO BORROW)
 \$5,420,301.68 FROM COBANK AND EXECUTE) CASE NO.
 NECESSARY NOTES AND TO REPAY RURAL) 2010-00296
 UTILITIES SERVICES 5 PERCENT NOTES IN)
 THE SAME AMOUNT.)

NOTICE OF FILING

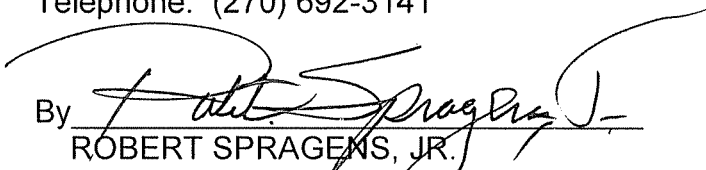
Taylor County Rural Electric Cooperative Corporation, acting by counsel, and consistent with the first numerical paragraph 4 set forth on Page 5 of this Commission's Order entered herein on August 6, 2010, gives notice of its filing of three (3) copies of the following loan documents:

A. Promissory Note and Supplement dated as of November 24, 2003 and entered into as of August 16, 2010;

B. Supplemental Mortgage and Security Agreement dated as of August 16, 2010, which has been duly recorded in the offices of the County Clerks of Marion, Taylor, Casey, Adair, Green, Russell, Metcalfe, Cumberland and Hart in the Commonwealth of Kentucky.

DATED this 10th day of November, 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

**SUPPLEMENTAL MORTGAGE
AND
SECURITY AGREEMENT**

Made by and among

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

**PO Box 100
Campbellsville, Kentucky 42718
Mortgagor, and**

UNITED STATES OF AMERICA

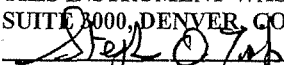
**Rural Utilities Service
Washington, D.C. 20250
Mortgagee
and**

and

**CoBANK, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Mortgagee**

Dated as of August 16, 2010

**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, AFTER-
ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS
NOTICE-THIS MORTGAGE SECURED 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 STEPHEN TICK, SHERMAN & HOWARD L.L.C., 633 17TH STREET,
SUITE 2000, DENVER, COLORADO 80202**



THE MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 0050749

SUPPLEMENTAL MORTGAGE

SUPPLEMENTAL MORTGAGE AND SECURITY AGREEMENT, dated as of August 16, 2010 (hereinafter sometimes called this "Supplemental Mortgage") is made by and among **TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION (D/B/A TAYLOR COUNTY RECC)** (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, 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 the Government and CoBank in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and CoBank being hereinafter sometimes collectively referred to as the "Mortgagees").

Recitals

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

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

Whereas, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same, and to enter into this Supplemental Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity, hereunder and under the Existing Mortgage (this Supplemental Mortgage and the Existing Mortgage, as it may have been previously amended or supplemented, hereinafter may be called collectively the "Mortgage"); and

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

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

Whereas, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Note listed in Schedule "A" pari passu and pro rata with the Outstanding Notes under the Existing Mortgage; and

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

Now, Therefore, This Supplemental Mortgage Witnesseth: That to secure the payment of the principal of (and premium, if any) and interest on all Notes issued hereunder according to their tenor and effect, and the performance of all provisions therein and herein contained, and in consideration of the

covenants herein contained and the purchase or guarantee of Notes by the guarantors or holders thereof, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm pledge and grant a continuing security interest in for the purposes hereinafter expressed, unto the Mortgagees all property, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein or any other kind or nature, except any Excepted Property set forth on Schedule "C" hereof, whether now owned or hereafter acquired by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) and 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 Original 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 Original 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 Supplemental Mortgage 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 Original 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, TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION (D/B/A TAYLOR COUNTY RECC), as Mortgagor, and UNITED STATES OF AMERICA, as Mortgagee, and CoBANK, ACB, as Mortgagee, have each caused this Supplemental Mortgage to be signed in their respective names by duly authorized persons, all as of the day and year first written above.

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

By: Tommy Giles
Its: President

(seal)

Attest: P. D. Shepp
Secretary

Executed by the Mortgagor in the presence of:

Benny L. Nye
Shyllis Rhodes
Witnesses

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TAYLOR)

I, John F Patterson, a Notary Public of in and for the County and Commonwealth aforesaid, do hereby certify that Tommy Giles, personally known to me to be the President of TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION (d/b/a TAYLOR COUNTY RECC), 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/she signed the foregoing instrument pursuant to authority given by the board of directors of said corporation as his free and voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

Given under my hand this 16th day of August, 2010.

J F Patterson
Notary Public
In and for Taylor County, Kentucky

(Notary Seal)

My Commission expires: 5/2/2013

SUPPLEMENTAL MORTGAGE

SCHEDULE A

MAXIMUM DEBT LIMIT AND OTHER INFORMATION

1. The Maximum Debt Limit is \$100,000,000.00.
2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

Restated Mortgage and Security Agreement dated as of November 1, 2004, among TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION (D/B/A TAYLOR COUNTY RECC), as Mortgagor, the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service, as a Mortgagee, and CoBANK, ACB, as a Mortgagee.

3. The outstanding secured indebtedness described in the third WHEREAS clause above is more particularly described as follows:

OUTSTANDING NOTES issued to the Government¹

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate²</u>
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
AB8 ³	\$6,000,000.00	30 Sep 2008	31 Dec 2040	V

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

² V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations (or by the Secretary of Treasury. 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.

³ See footnote 1 in this Schedule A.

OUTSTANDING NOTES issued to CoBank:

<u>CoBank Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
RIML0654T1	\$1,522,000.00	November 24, 2003	May 20, 2014
RIML0654T4	\$ 449,840.00	November 24, 2003	July 20, 2020
RIML0654T5	\$ 545,059.00	November 24, 2003	June 20, 2021
RIML0654T6	\$ 869,983.49	November 24, 2003	July 20, 2015
RIML0654T7	\$ 955,742.82	November 24, 2003	October 28, 2028
RIML0654T8	\$1,902,049.69	November 24, 2003	August 20, 2028
RIML0654T9	\$ 660,000.00	November 1, 2004	October 20, 2039

4. The Additional Notes described in the sixth **WHEREAS** clause above are more particularly described as follows:

ADDITIONAL NOTE issued to CoBank:

<u>CoBank Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
RX0654T10	\$5,420,301.68	August 16, 2010	08/20/2028

SUPPLEMENTAL MORTGAGE

SCHEDULE B

PROPERTY SCHEDULE

The fee and leasehold interests in real property referred to in Subclause "A" of Granting Clause First are described on the attached pages B-2 through B-3 of this 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 Court 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 Morgagor, 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.

**SUPPLEMENTAL MORTGAGE
SCHEDULE C**

EXCEPTED PROPERTY

NONE.

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:

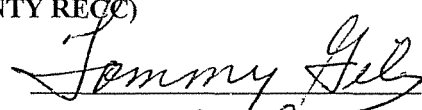


Title: Assistant Corporate Secretary

Irene Matlin

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

By:



Title:

President

DESCRIPTION OF RUS LOANS TO BE REFINANCED

The Existing Loan(s) are as follows:

Lender	RUS Loan No.
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

REPAYMENT SCHEDULE

PAYMENT DUE DATE	PRINCIPAL PAYMENT DUE
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

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

PAYMENT DUE DATE	PRINCIPAL 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

PAYMENT DUE DATE	PRINCIPAL PAYMENT DUE
03/20/2028	\$11,794.92
04/20/2028	\$11,852.16
05/20/2028	\$11,895.34
06/20/2028	\$11,949.76
07/20/2028	\$11,996.61
08/20/2028	\$4,514.77
TOTAL	\$5,420,301.68