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STATE OF INDIANA
LAKE COUNTY
FILED FOR RECORD

RUS PROJECT IDENTIFICATION: **2002 045983**

2002 MAY 16 AM 10: 28

INDIANA 87-R8 STARKE

MORRIS W. CARTER
RECORDER

SUPPLEMENTAL MORTGAGE

made by and among

KANKAKEE VALLEY RURAL ELECTRIC
MEMBERSHIP CORPORATION
114 South Main Street
Wanatah, Indiana 46390.

Mortgagor, and

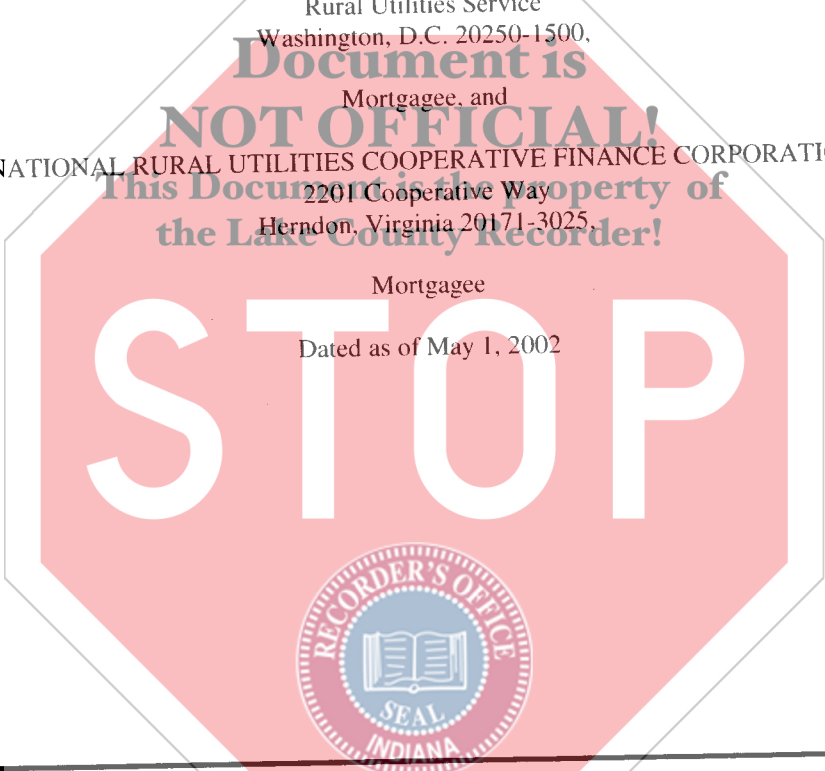
UNITED STATES OF AMERICA
Rural Utilities Service
Washington, D.C. 20250-1500.

Mortgagee, and

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

Mortgagee

Dated as of May 1, 2002



STATE OF INDIANA
LAKE COUNTY
FILED FOR RECORD
2002 MAY 16 AM 10: 28
MORRIS W. CARTER
RECORDER

2002 045983

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.
ORGANIZATIONAL NO. 194021-094

No. 1

Generated: April 1, 2002

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SUPPLEMENTAL MORTGAGE, dated as of May 1, 2002 (hereinafter sometimes called this "Supplemental Mortgage"), is made by and among KANKAKEE VALLEY RURAL ELECTRIC MEMBERSHIP CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Indiana, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government") and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia, and is intended to confer rights and benefits on both the Government and CFC, in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and CFC being hereinafter sometimes collectively referred to as the "Mortgagees").

RECITALS

WHEREAS, the Mortgagor, the Government and CFC are parties to that certain Restated Mortgage and Security Agreement (the "Original Mortgage" as identified in Schedule "A" of this Supplemental Mortgage) originally entered into among the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and CFC; 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, hereinafter sometimes collectively referred to as 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 of the Mortgagees under the Existing Mortgage; and

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

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

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

Now, Therefore, This Supplemental Mortgage Witnesseth: That to secure the payment of the principal of (and premium, if any) and interest on all Notes 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 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 or 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, KANKAKEE VALLEY RURAL ELECTRIC MEMBERSHIP CORPORATION, as Mortgagor, has caused this Supplemental Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, UNITED STATES OF AMERICA, as Mortgagee and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee, have each caused this Supplemental Mortgage to be signed in their respective names by duly authorized persons, all as of this day and year first above written.

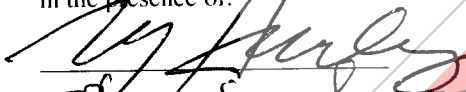
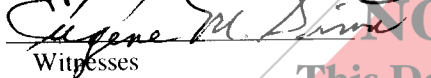
KANKAKEE VALLEY RURAL ELECTRIC MEMBERSHIP CORPORATION

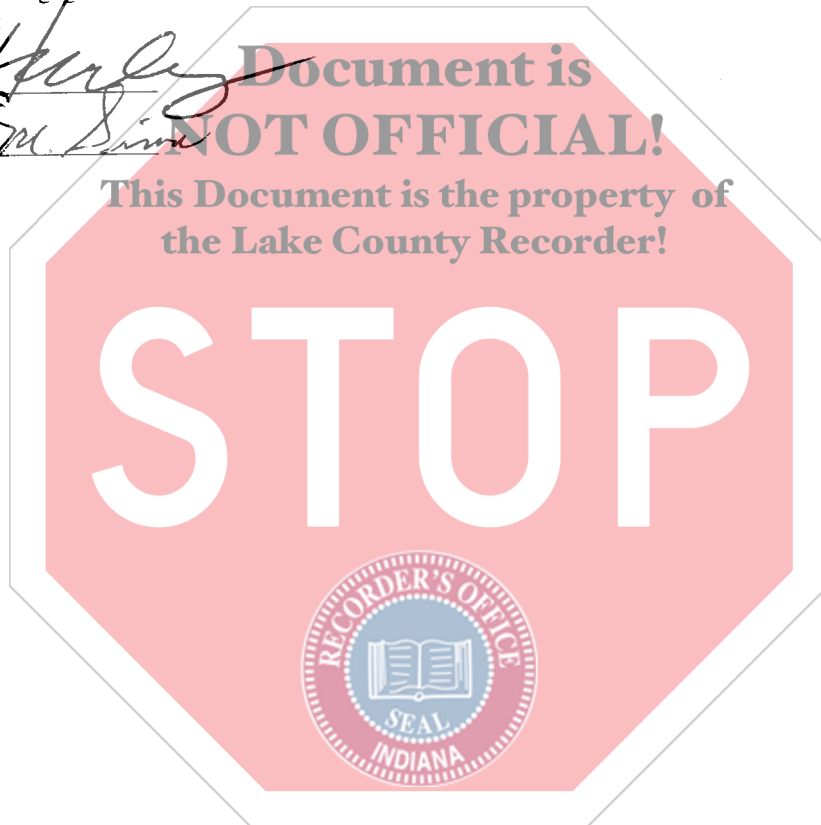
by  , President

(Seal)

Attest: 
Secretary

Executed by the Mortgagor
in the presence of:



Witnesses



UNITED STATES OF AMERICA

by

Sally K Prie

Director - Northern
Regional Division
of the
Rural Utilities Service

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

Bert L Huntington
D.P.J.
Witnesses

BERT L. HUNTINGTON

Douglas P. Jenkins

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

Document is
NOT OFFICIAL!

by *Elaine M. MacDonald*

ELAINE M. MACDONALD
Assistant Secretary-Treasurer

(SEAL)

Attest:

Anthony M. Stephan
Assistant Secretary-Treasurer

ANTHONY M. STEPHAN

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

Gwendolyn L. Wotring
Amy S. Luongo
Witnesses

GWENDOLYN L. WOTRING

AMY S. LUONGO



STATE OF INDIANA)
) SS
COUNTY OF Laporte)

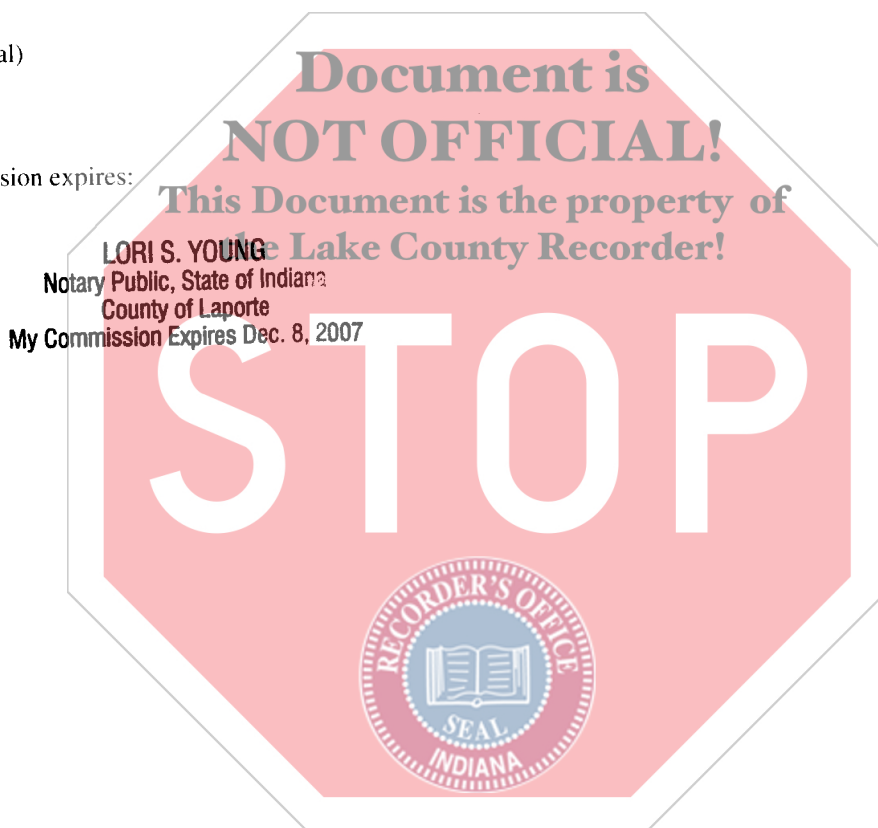
Before me, a Notary Public in and for the County and State aforesaid, this 6th day of May, 2002, personally appeared KANKAKEE VALLEY RURAL ELECTRIC MEMBERSHIP CORPORATION, by Michael Yankauskas and Ronald R. Singleton, its President and Secretary, respectively, and acknowledged the execution of the foregoing mortgage; that the execution thereof was their free act and deed and the free act and deed of said Corporation; that they were duly authorized thereunto by said Corporation's Board of Directors, and that the seal affixed to the foregoing mortgage is the corporate seal of said Corporation.

Witness my hand and official seal the day and year aforesaid.

Lori S. Young
Notary Public

(Notarial Seal)

My Commission expires:



DISTRICT OF COLUMBIA

) SS

On this 4 day of April, 2002, personally appeared before me **SALLY R. PRICE**, who, being duly sworn, did say that she is the Director - Northern Regional Division of the Rural Utilities Service, an agency of the United States of America, and acknowledged to me that, acting under a delegation of authority duly given and evidenced by law and presently in effect, she executed said instrument as the act and deed of the United States of America for the uses and purposes therein mentioned.

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

William A. Frost

Notary Public

(Notarial Seal)

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

My commission expires: _____



THIS INSTRUMENT WAS PREPARED BY TERESA TEMME-DIETZ, ATTORNEY, RURAL UTILITIES DIVISION, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C. 20250-1400.

COMMONWEALTH OF VIRGINIA

)

) SS

COUNTY OF FAIRFAX

)

On this 12th day of April, 20 02, before me appeared ELAINE M. MACDONALD

, to me personally known, who, being by me duly sworn, did say that he is the ASSISTANT SECRETARY-TREASURER of the National Rural Utilities Cooperative Finance Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said ASSISTANT SECRETARY-TREASURER acknowledged said instrument to be the free act and deed of said corporation.

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

Deepmala Rastogi
Notary Public
DEEPMALA RASTOGI

(Notarial Seal)

My commission expires: 10/31/2005



Supplemental Mortgage Schedule A - Part One

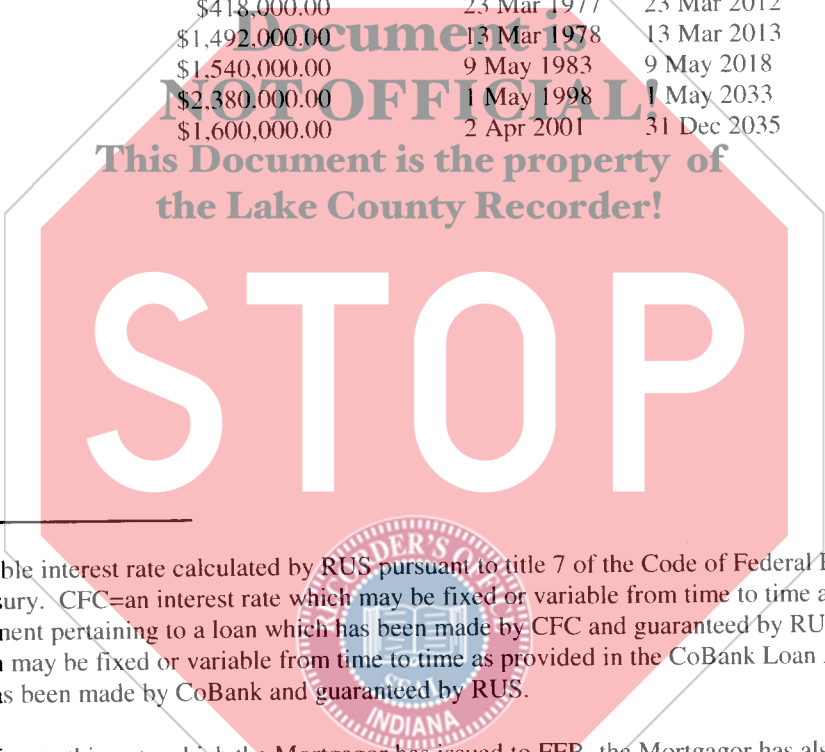
Maximum Debt Limit and Other Information

- The Maximum Debt Limit is \$25,000,000.00.
- The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

<u>Instrument Title</u>	<u>Instrument Date</u>
Restated Mortgage and Security Agreement	May 1, 1998
Supplemental Mortgage	April 2, 2001

- The Outstanding Notes referred to in the fourth WHEREAS clause above that are Government Notes are more particularly described as follows:

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate¹</u>
G	\$796,000.00	21 Feb 1968	21 Feb 2003	2.00
H6	\$418,000.00	17 Dec 1974	17 Dec 2009	5.00
K6	\$418,000.00	23 Mar 1977	23 Mar 2012	5.00
L6	\$1,492,000.00	13 Mar 1978	13 Mar 2013	5.00
M6	\$1,540,000.00	9 May 1983	9 May 2018	5.00
N61	\$2,380,000.00	1 May 1998	1 May 2033	V
P8 ²	\$1,600,000.00	2 Apr 2001	31 Dec 2035	V



¹V=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.

²In addition to this note which the Mortgagor has issued to FFB, the Mortgagor has also issued a corresponding promissory note to RUS designated as the certain "Reimbursement Note" bearing even date therewith. Such Reimbursement Note is payable to the Government on demand and evidences the Mortgagor's obligation immediately to repay RUS, any payment which RUS may make pursuant to the RUS guarantee of such FFB note, together with interest, expenses and penalties (all as described in such Reimbursement Note). Such Reimbursement Note is an "Additional Note issued to the Government" for purposes of this Part One of Schedule A of this Supplemental Mortgage and is entitled to all of the benefits and security of the Mortgage.

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

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate</u> ³
R8 ⁴	\$7,000,000.00	1 May 2002	31 Dec 2036	V



³See footnote 1 in this Schedule A.

⁴See footnote 2 in this Schedule A.

SCHEDULE A: Part Two

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

ORIGINAL NOTES issued to CFC

<u>CFC Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
IN 087-C-9001	\$179,000.00	12/17/1974	12/17/2009
IN 087-C-9002	\$179,000.00	03/23/1977	03/23/2012
IN 087-C-9004	\$640,000.00	03/13/1978	03/13/2013
IN 087-C-9010	\$695,000.00	05/09/1983 (substituted 09/12/1983)	05/09/2018
IN 087-C-9011	\$1,020,000.00	05/01/1998	05/01/2033



CFC IMPORT
AA001-Y-0000 (WANGD)
5444-1

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 designated 1 through 3 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: the Counties of Lake, LaPorte, Marshall, Pulaski, St. Joseph and Starke in the State of Indiana.

The contracts referred to in Subclause C of Granting Clause First include without limitation the Wholesale Power Contract, dated as of August 28, 1972, between the Mortgagor and Wabash Valley Power Association, Inc.



Garage Area and Auditorium - Town of Wanatah

Lot 8, Block 13, Town of Wanatah by deed dated December 6, 1943, from Clarence G. Carpenter, Gladys Carpenter, William V. Carpenter and Margaret Carpenter to Kankakee Valley Rural electric Membership corporation recorded at LaPorte, Indiana, April 8, 1944, Deed record number 196, page 301

Office Building - Town of Wanatah

Lot 9, Block 13, Town of Wanatah by deed dated March 15, 1949, from Richard M. Pash and Francis E. Pash to the Kankakee Valley Rural Electric Membership Corporation recorded at LaPorte, Indiana, April 11, 1949, Deed record number 222, page 119.

Garage Area - Town of Wanatah

Lot 7, Block 13, Town of Wanatah by deed dated April 21, 1953, from Alvin H. Marks and Evelyn Marks to Kankakee Valley Rural Electric Membership Corporation recorded at LaPorte, Indiana, April 8, 1954, Deed record number 246, page 309.

Warehouse and Poleyard

Approximately 5 acres by deed dated September 17, 1954 from Edward J. Jutroske to the Kankakee Valley Rural Electric Membership Corporation recorded at LaPorte, Indiana, September 24, 1954, Deed record number 248, page 358.

Arrowhead Substation

Approximately 0.44 acres by deed dated November 12, 1970 from Arrowhead Engineering Corporation by S.R. Shafer, president and John L. Carey, Secretary, tot he Kankakee Valley Rural electric Membership Corporation recorded at Starke County, Knox, Indiana, October 5, 1971, Book 121, page 142.

Porter Substation

Approximately 1.97 acres by deed dated March 12, 1973 from Bryce S. Williams to the Kankakee Valley Rural Electric Membership Corporation recorded at Porter county, Valparaiso, Indiana, March 12, 1973, Book 262, page 421.

Jacob W. Mack Substation

Approximately 1.8 acres by deed dated January 22, 1979, from Lake County Trust, Trust #2526 to the Kankakee Valley Rural Electric Membership Corporation recorded at Porter County, Valparaiso, Indiana, February 2, 1979, Book 317, page 458.

Future Office Building and Storage Facilities

Approximately 8.00 acres by deed dated March 21, 1980, from Donald O. Chesak to the Kankakee Valley Rural Electric Membership corporation recorded at LaPorte County, LaPorte, Indiana, March 21, 1980, recording number 80-02284.

Future Office Building and Storage Facilities

Approximately 0.83 acres by deed dated July 29, 1980, from Mitchell and E. Carroll Rayshich to the Kankakee Valley Rural Electric Membership Corporation recorded at LaPorte County, LaPorte, Indiana, August 14, 1980, recording number 80-6487.

John Bowmar Substation

Approximately 1.00 acres by deed dated January 25, 1983, from William J. McCombs to Kankakee Valley Rural Electric Membership Corporation recorded at LaPorte County, LaPorte, Indiana, February 24, 1983, recording number 83-01676

West Toll Substation

Approximately 1.57 acres by deed dated July 31, 1987, from Peggy Falatic, Patsy Berndt, Donald Marvel and Maggie Glassford to Kankakee Valley Rural Electric Membership Corporation recorded at Porter County, Valparaiso, Indiana, August 5, 1987, recording number 19880, Book 380, page 365.

Washington Substation

Approximately 1.00 acres by deed dated November 9, 1994, from Frank G. Wheeler and Rose Mary Wheeler to Kankakee Valley Rural Electric Membership Corporation recorded at LaPorte County, LaPorte, Indiana, November 14, 1994, recording number 94-29279, Book 453, page 268.

Hamlet Industrial Park

Lot 7, Hamlet Industrial Park 1 by deed dated December 29, 1997, from Starke County Development Foundation, Inc., to Kankakee Valley Rural Electric Membership Corporation recorded at Starke County, Knox, Indiana, December 29, 1997, Book 151, page 875.

New Arrowhead Substation

Approximately 0.154 acres by deed dated January 23, 1998, from Donald R. Singleton and Dorothy M. Singleton to Kankakee Valley Rural Electric Membership Corporation.

Parking and Garage Area - Town of Wanatah

30 feet off the East side of Lot 10, Block 13, Town of Wanatah by deed dated June 17, 1961 from Florence May Brunson and George Brunson to the Kankakee Valley Rural Electric Membership Corporation recorded at LaPorte, Indiana, June 21, 1961, Deed record number 302, 617.

