

PEDERNALES ELECTRIC COOPERATIVE, INC.

to

**THE BANK OF NEW YORK MELLON,
as Trustee**

NINTH SUPPLEMENTAL INDENTURE OF TRUST

dated as of April ___, 2020

to

MASTER INDENTURE OF TRUST

dated as of January 1, 1993

(FILE NO. 93-00011057)

Providing for an amendment to the Master Indenture of Trust

*******NOTICE*******

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A UTILITY.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT CONTAINS FUTURE ADVANCE PROVISIONS.

NINTH SUPPLEMENTAL INDENTURE OF TRUST

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NINTH SUPPLEMENTAL INDENTURE OF TRUST

This **Ninth Supplemental Indenture of Trust** (this “Ninth Supplemental Indenture”) dated as of April ____, 2020, is entered into between **Pedernales Electric Cooperative, Inc.**, a Texas electric cooperative corporation, formed and existing under the laws of the State of Texas, including Texas Utilities Code Chapter 161, as amended, and any successor thereto (“Cooperative”), and **The Bank of New York Mellon**, a banking corporation duly organized and existing under the laws of the State of New York, as trustee (“Trustee”).

RECITALS

A. The Cooperative is duly organized, constituted and existing as an electric cooperative corporation pursuant to the Electric Cooperative Corporation Act, Chapter 161 of the Texas Utilities Code, as amended (“Electric Cooperative Act”), for the purpose, among other things, of furnishing electricity to its members.

B. The Cooperative and the Trustee (as successor trustee to The Frost National Bank of San Antonio) are parties to that certain Master Indenture of Trust, dated as of January 1, 1993 (the “Master Indenture”), as previously amended, including by: (i) that certain Second Supplemental Indenture of Trust, dated as of August 31, 1995; (ii) that certain Fifth Supplemental Indenture of Trust, dated as of October 1, 2002, (as further supplemented on October 18, 2010 and on November 1, 2011) providing for the issuance of the Cooperative’s \$450,000,000 First Mortgage Bonds 2002 Series A; (iii) that certain Sixth Supplemental Indenture of Trust, dated as of March 25, 2008 (as further supplemented on March 21, 2011 and on March 26, 2014), providing for the issuance of up to \$300,000,000 of Series 2008 CFC Mortgage Notes to National Rural Utilities Cooperative Finance Corporation (“CFC”); (iv) that certain Seventh Supplemental Indenture of Trust, dated as of November 21, 2014, providing for the issuance of five promissory notes in the aggregate amount of \$270,000,000 of Series 2014 CFC Mortgage Notes to CFC; and (v) that certain Eighth Supplemental Indenture of Trust, dated as of November 17, 2016, providing for the issuance of a \$100,000,000 Series 2016 Note to CoBank, ACB. The Master Indenture, as heretofore supplemented and amended, is referenced herein as the “Existing Indenture.” The Existing Indenture as supplemented by this Ninth Supplemental Indenture is collectively referred to herein as the “Indenture.”

C. Section 10.3 of the Master Indenture authorizes the Cooperative and the Trustee to enter into supplemental indentures with the written consent of the Holders of more than fifty percent (50%) of the combined principal amount of the Obligations then Outstanding, for the purpose of making any modification or amendment of the Master Indenture, subject to the limitations set forth in Section 10.3 and the requirements set forth in Section 10.4 of the Master Indenture.

D. National Rural Utilities Cooperative Finance Corporation (“CFC”) is the Holder of more than fifty percent (50%) of the combined principal amount of the Obligations Outstanding under the Indenture as of the date of this Ninth Supplemental Indenture, and CFC has consented in writing to this Ninth Supplemental Indenture in accordance with the requirements set forth in Section 10.4 of the Master Indenture.

F. The Cooperative has duly authorized and approved the terms of this Ninth Supplemental Indenture and has requested the Trustee to enter into this Ninth Supplemental Indenture.

All things have been done which are necessary to constitute the Indenture (as supplemented by this Ninth Supplemental Indenture), the valid, binding and legal obligation of the Cooperative according to the import thereof.

NOW, THEREFORE, the Cooperative, in consideration of the foregoing premises, of the acceptance by the Trustee of the trusts created hereby, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

AGREEMENTS, DEFINITIONS, INTERPRETATION, AND EXISTING INDENTURE

Section 1.1. Definitions. For all purposes of this Ninth Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

Terms defined in the Master Indenture (and not otherwise defined herein) and interpretations contained in Section 1.3 of the Master Indenture shall have the same meaning for purposes of this Ninth Supplemental Indenture. Defined terms include the plural as well as the singular. Reference to any financing document or agreement shall mean that financing document or agreement as it may be amended or supplemented from time to time. Reference to any person shall mean that person, and its successors and permitted assigns.

Section 1.2. Interpretation. In this Ninth Supplemental Indenture, unless the context otherwise requires:

(a) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Ninth Supplemental Indenture;

(b) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder”, and any similar terms, as used in this Ninth Supplemental Indenture, refer to this Ninth Supplemental Indenture, and the term “hereafter” means after; and the term “heretofore” means before, the date of this Ninth Supplemental Indenture.

Words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa. Words importing persons includes firms, association, partnerships (including limited partnerships), trusts, corporations, and other legal entities, including public bodies, as well as natural persons.

Any headings preceding the texts of the several Articles and Sections of this Ninth Supplemental Indenture, and any table of contents or marginal notes appended to copies hereof,

is solely for convenience of reference and will not constitute a part of this Ninth Supplemental Indenture, nor will they affect its meaning, construction or effect.

Whenever the Cooperative is named or referred to, it will be deemed to include its successors and assigns. All of the covenants, stipulations, obligations and agreements by or on behalf of the Cooperative contained in this Ninth Supplemental Indenture will bind and inure to the benefit of such successors and assigns and will bind and inure to the benefit of any officer, board, commission, authority, agency or officer to whom or to which there will be transferred by or in accordance with the Electric Cooperative Act any right, power or duty of the Cooperative, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

(c) Nothing in this Ninth Supplemental Indenture is intended or will be construed to confer upon, or to give to, any person, other than the Cooperative, the Trustee, and Holders of any Obligations, any right, remedy or claim under or by reason of this Ninth Supplemental Indenture or any covenant or provision hereof.

(d) All provisions hereof which are expressed as obligations, duties, findings, covenants and declarations of the Board will constitute and are obligations, duties, findings, covenants and declarations of the Cooperative, and all obligations, covenants and agreements herein requiring the Cooperative to perform or observe any act or condition will be performed or observed, and any right reserved by the Cooperative may be exercised, on the Cooperative's behalf, by or under the direction of the Board.

If any one or more of the covenants, provisions or agreements contained herein should be contrary to law, then such covenants, provisions or agreements will be deemed separable from the remaining covenants, provisions and agreements hereof, and will in no way affect the validity of the remaining covenants, provisions or agreements contained in this Ninth Supplemental Indenture.

Section 1.3. Ratification of Existing Indenture. Except as hereby expressly supplemented, the Existing Indenture is in all respects ratified and confirmed, and all the terms, provisions and conditions thereof remain in full force and effect, and this Ninth Supplemental Indenture and all of its terms, provisions, and conditions will be deemed to be a part of the Indenture.

ARTICLE II

AMENDMENTS TO THE MASTER INDENTURE

Section 2.1. Amendments to Section 2.2 of the Master Indenture.

Section 2.2(a) of the Master Indenture shall be amended and restated in its entirety to read as follows:

“The Cooperative agrees that, while this Indenture is in effect, it shall maintain in effect a schedule of rates, rents, charges, fees and other

compensation (collectively, “Rates”) for the use or sale of the output, capacity or service of the System; provided that the Cooperative shall be permitted to amend such Rates from time to time, subject to this Section 2.2.”

Section 2.2(b) of the Master Indenture shall be amended and restated in its entirety to read as follows:

“The Cooperative agrees that the schedule of Rates shall be amended from time to time as necessary to produce moneys sufficient to enable the Cooperative to comply with its covenants under this Indenture.”

Section 2.2(c) of the Master Indenture shall be amended and restated in its entirety to read as follows:

“During any Fiscal Year in which the Cooperative’s rates are subject to regulatory approval (if any), in the event that the Net Revenues of the Cooperative for such Fiscal Year shall be less than the Aggregate Debt Service due and payable in such Fiscal Year, the Cooperative will file a request for approval of a rate increase with the appropriate regulatory authority having jurisdiction over adjustments to the Cooperative’s Rates, in an amount sufficient to cause the production of Net Revenues sufficient to enable the Cooperative to produce at the earliest feasible time Net Revenues in an amount sufficient to pay such Aggregate Debt Service. If the Cooperative shall commence and diligently pursue obtaining the applicable regulatory approval, if any, for the necessary Rate increase as set forth above, it shall not constitute an Event of Default under this Indenture if Net Revenues in any Fiscal Year or Fiscal Years shall be insufficient, unless the appropriate regulatory authority shall deny the Cooperative’s request to increase its Rates and such determination becomes final and non-appealable.”

ARTICLE III

REPRESENTATIONS AND COVENANTS OF THE COOPERATIVE

Section 3.1. Authority to Execute and Deliver Ninth Supplemental Indenture. The Cooperative is duly authorized under its organizational documents and all applicable laws and by corporate action to execute and deliver this Ninth Supplemental Indenture. This Ninth Supplemental Indenture constitutes a valid and enforceable obligation of the Cooperative in accordance with its terms as the same may be limited by bankruptcy, creditors’ rights generally and equitable principles.

ARTICLE IV

MISCELLANEOUS

Section 4.1. Successors and Assigns. All covenants and agreements in this Ninth Supplemental Indenture by the Cooperative will bind its successors and assigns, whether so expressed or not.

Section 4.2. Severability Clause. In case any provision in this Ninth Supplemental Indenture shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 4.3. Governing Law. This Ninth Supplemental Indenture will be construed in accordance with and governed by the laws of the State of Texas.

Section 4.4. Benefits of Ninth Supplemental Indenture. Nothing in this Ninth Supplemental Indenture is intended to give any Person, other than the parties hereto and the Holders of the Notes, any benefit or any legal or equitable right, remedy or claim under this Ninth Supplemental Indenture.

Section 4.5. Multiple Counterparts. This Ninth Supplemental Indenture may be executed in multiple counterparts, each of which shall be deemed to be an original, but all such counterparts will constitute together constitute but one and the same instrument.

Section 4.6. Acceptance by Trustee. The Trustee accepts the trusts in this Ninth Supplemental Indenture declared and provided, upon the terms and conditions set forth herein and as such rights and duties of the Trustee are set forth in the Existing Indenture.

[Signature pages follow]

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

**PEDERNALES ELECTRIC
COOPERATIVE, INC.**

By: _____
Julie Caruthers Parsley
Chief Executive Officer

ATTEST:

By: _____
Secretary, Board of Directors

STATE OF TEXAS §
 §
COUNTY OF BLANCO §

This instrument was acknowledged before me on the ____ day of April, 2020, by Julie Caruthers Parsley, Chief Executive Officer of PEDERNALES ELECTRIC COOPERATIVE, INC., a Texas electric cooperative corporation, on behalf of such corporation.

Notary Public, State of Texas

[NOTARY SEAL]

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____
Authorized Officer

ATTEST:

By: _____
Name: _____
Title: _____

STATE OF NEW YORK §
 §
COUNTY OF NEW YORK §

 This instrument was acknowledged before me on the ____ day of April, 2020, by
_____ of THE BANK OF NEW YORK MELLON, a New York state bank, on behalf of
such bank.

[NOTARY SEAL]

Notary Public, State of New York