

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

November 4, 2010

RECEIVED

NOV 10 2010

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Kirksville Water Association, Inc. PSC Application

Dear Mr. Derouen:

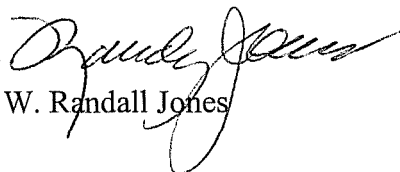
Enclosed please find the original and ten (10) copies of the Application of the Kirksville Water Association, Inc. for an Order authorizing the Association to issue securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest debt of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before December 2, 2010 (the closing date).**

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: Kerry S. Odle, CMW, Inc.
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

NOV 10 2010

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE KIRKSVILLE)
WATER ASSOCIATION, INC., TO)
ISSUE SECURITIES IN THE APPROX-)
MATE PRINCIPAL AMOUNT OF \$495,000)
FOR THE PURPOSE OF REFUNDING CERTAIN)
OUTSTANDING INDEBTEDNESS OF THE)
ASSOCIATION PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

Case No. 2010 - _____

** *** **** ***** **

APPLICATION

The Applicant, Kirksville Water Association, Inc. (the "Association"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the Association to issue certain securities in the approximate principal sum \$495,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness of the Association. In support of this Application, and in compliance with the rules and regulations of the Commission, the Association states as follows:

- 1. The Association is a non-profit water association of Madison County, created and existing under the provisions of Chapter 273 of the Kentucky Revised Statutes. The Association's Articles of Incorporation are attached hereto as Exhibit A. The Association is now, and has been

since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the Association are incorporated in this Application by reference.

2. The governing body of the Association is its Board of Directors, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS Chapter 273 and all applicable law and regulations.

3. The mailing address of the Association is as follows:

Kirksville Water Association, Inc.
c/o Mr. Billy May, President
P.O. Box 670
Richmond, Kentucky 40476
Telephone: (859) 624-1735

4. A general description of the Association's water system property, together with a statement of the original cost, is contained in the Association's Annual Report for 2009 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Association proposes to borrow funds from the County of Butler, Kentucky pursuant to a loan (the "Butler Loan"), as evidenced by a loan agreement (the "Loan Agreement") in the estimated principal amount of \$495,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding indebtedness of the Association designated as Kirksville Water Association Promissory Note, dated September 25, 1989, in the original principal amount of \$635,000, bearing interest at the rate of 6.00% per annum (the "Prior Loan"), currently held the United States Department of Agriculture, acting through Rural Development ("RD").

6. The estimated debt service for the Butler Loan is shown in **Exhibit B**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rate are subject to change because of market conditions. The final terms and details of the

Butler Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The Butler Loan will provide the Association with the funds necessary to (i) refund the Prior Loans; and (iii) pay the costs, fees and expenses incident to the issuance of the Butler Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the Butler Loan are detailed as **Exhibit C**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will generate a net combined present value benefit of approximately \$81,433.83. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit D**.

10. The final principal amount of the Butler Loan may be adjusted, based upon the final interest rate as of closing of the proposed Butler Loan. Final financial figures will be submitted to the Commission in a timely manner. The Association will not issue the securities if interest rates in the financial markets shift to a point where the Association will not achieve any savings.

11. The Total Refunded Debt Schedule of the outstanding Prior Loans being refunded is set forth in **Exhibit E**.

12. The Association represents that the Butler Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the Association by producing substantial debt service savings. This is a lawful object within the corporate purposes of the Association's utility operations. The Butler Loan is necessary, appropriate for, and consistent with the proper performance by the Association of its service to the public and will not impair its ability to perform that service.

13. The Association represents that it will, as soon as reasonably possible after the closing of the Butler Loan, file with the Commission a statement setting forth the date of issuance

of the Butler Loan, the price paid, the costs and expenses incurred in the issuance of the Butler Loan, and the final terms and interest rates of the Butler Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2009 are attached hereto and incorporated herein by reference as **Exhibit F** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2009 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the Association hereby responds as follows:

- (a) Section 6(4) Mortgages: The Association's mortgages are attached hereto as **Exhibit G**.
- (b) Section 6(5) Bonds: The Butler Loan will be secured by a pledge of the revenues of the Association's System.
- (c) Section 11(2)(b): The Association does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Loans.

17. The Association hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The Association states that there has been no change that is material in nature in the financial condition or operation of the Association since December

31, 2009. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2009. This is the most recent published financial data available. Because of the volatility of the financial markets, the Association cannot run the risk of delaying the closing of the Butler Loan while more current financial data is compiled.

18. No rate adjustment will be necessary.

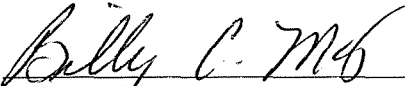
WHEREFORE, the Association respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application prior to the estimated closing date of **December 2, 2010**;

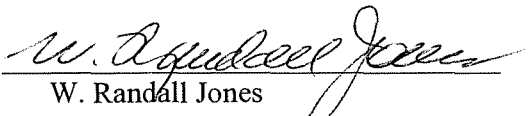
2. Grant the Association a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the Association's 2009 Annual Report and 2009 audit in lieu of more recent financial data, there being no material change in the data in 2010 and due to the volatility of the present financial markets; and

3. Process this Application without a formal hearing in order to save time and expense. The Association will promptly respond to any information requests by the Commission's staff.

Kirksville Water Association, Inc.

By 
President
P.O. Box 670
Richmond, Kentucky 40476
Phone: (859) 624-1735

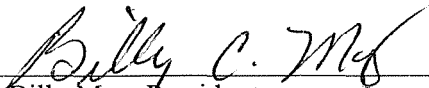
Rubin & Hays

By 
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Kirksville Association,
Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF MADISON)

The affiant, Billy May, being first duly sworn, states: That he is the President of the Kirksville Water Association, Inc., the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 20th day of October, 2010.



Billy May, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Billy May, President of the Kirksville Water Association, Inc., on this the 20 day of October, 2010.

My Commission expires: 8/25/11.



NOTARY PUBLIC

KIRKSVILLE WATER ASSOCIATION, Inc.
Kirksville, Kentucky

MADISON COUNTY COURT
KENTUCKY

We, whose names are hereto subscribed, acting as incorporators for the purpose of forming a nonprofit corporation under the provisions of Chapter 273 of the KRS, assuming and claiming all powers, rights, privileges and immunities granted or permitted to be had by corporations under said laws, and do hereby adopt the following Articles of Incorporation:

ARTICLE I

NAME

The name of this corporation shall be Kirksville Water Association, Inc.

ARTICLE II

REGISTERED OFFICE AND AGENT

The registered office of the corporation shall be at Kirksville, County of Madison, State of Kentucky; the registered agent at such address is Ovis Bundy, Route 2, Richmond, Kentucky 40475.

ARTICLE III

PURPOSE

The purpose of the said corporation shall be to establish, develop and operate a complete water supply and distribution system by purchase, development,

or otherwise to construct reservoirs or water towers, erect pumping machinery, lay water mains, pipes and hydrants; to furnish and sell water to members of the corporation, public bodies and local businesses, for fire protection, drinking and general farm and domestic use and collect payment for rental or sale of same and doing all things necessary, convenient and incidental thereto, and a complete sanitary and/or storm sewer collection system and treatment facilities by purchase, development, or otherwise to construct mains, submains, and laterals, treatment plant, lagoons, to furnish sewer service to members of the corporation, public bodies and local businesses, for sanitary and health protection and collect service payment for rental of same and doing all things necessary, convenient and incidental thereto.

ARTICLE IV

SEAL

This corporation shall have a seal, which seal shall contain the corporate name, Kentucky, and the words "corporate seal"

ARTICLE V POWERS

The corporation shall have all powers provided by law.

ARTICLE VI

MEMBERSHIP

Persons may become members of the corporation as provided in the By-Laws.

ARTICLE VII

DURATION

The corporation shall have perpetual duration.

ARTICLE VIII

BOARD OF DIRECTORS

1. The affairs of this corporation shall be managed by a Board of Five (5) Directors to be elected by and from the members thereof and shall serve for three years and until their successors are elected. The size of the Board may not be changed except by amendment to these articles. At the first annual election, one (1) Director shall be elected for a term of one year; Two (2) Directors shall be elected for a term of two years; Two (2) Directors shall be elected for a term of three years. Thereafter Directors shall be elected for a term of three years.

2. The Board of Directors shall fill vacancies occurring in its own membership by appointment of qualified members to hold office until the next annual meeting of the membership of the membership at which meeting a member shall be elected to fill the unexpired term.

3. A majority of the Directors must be present at a meeting to conduct the business of the corporation.

4. Until the first annual election, the following persons shall be Directors:

<u>Name</u>	<u>Address</u>
<u>Charles Combs</u>	<u>Route 2, Richmond, Kentucky 40475</u>
<u>Oris Brady</u>	<u>Route 2, Richmond, Kentucky 40475</u>
<u>R. E. Sasser</u>	<u>Route 1, Richmond, Kentucky 40475</u>
<u>George Hoxley</u>	<u>Route 2, Richmond, Kentucky 40475</u>
<u>Charles Turner</u>	<u>Route 2, Richmond, Kentucky 40475</u>

and the following persons shall be Officers:

President	<u>Otis Bundy</u>	<u>Route 2, Richmond, Kentucky 40475</u>
Vice President	<u>Rev. R. E. Sasser</u>	<u>Route 1, Richmond, Kentucky 40475</u>
Secretary	<u>George Bogley</u>	<u>Route 2, Richmond, Kentucky 40475</u>
Treasurer	<u>Charles Combs</u>	<u>Route 2, Richmond, Kentucky 40475</u>

5. The Board of Directors shall have their annual meeting after the annual meeting of members hereinafter provided for, at a time and place to be designated by the President, and will elect from their own number a President, Vice President, Secretary and Treasurer. However, the offices of Secretary and Treasurer may be combined into one office.

6. The Board of Directors shall have other meetings as provided in the By-Laws.

ARTICLE IX

MEETINGS

1. The annual meeting of the members of this corporation for the purpose of electing directors and transacting such other business as may properly come before it at such time, shall be held on the third Tuesday in February of each year at the time and place specified by the Board of Directors.

2. Special meetings of the members of this corporation may be called by the President at any time or place within the county upon giving to each of the members a notice in writing mailed to his postal address as it appears in the corporation records at least ten(10) days prior to such meeting; and such meetings shall be called by him at any time upon written demand of the majority of the directors, or of any fifty (50) members, and in case of his neglect or refusal to call such meetings, such directors or members shall

unite in calling such meetings, which shall be the same as though called by the President. If the purpose of the meeting is to amend the articles, then the notice of meetings signed by the Secretary shall set forth the proposed amendment in substance. Articles may be amended by a two-thirds vote of the members present at such a meeting or voting by proxy.

ARTICLE X
INCORPORATORS

The names and addresses of the incorporators are:

<u>Name</u>	<u>Address</u>
<u>Charles Combs</u>	<u>Route 2, Richmond, Kentucky 40475</u>
<u>Otis Bundy</u>	<u>Route 2, Richmond, Kentucky 40475</u>
<u>R. E. Sasser</u>	<u>Route 1, Richmond, Kentucky 40475</u>
<u>George Hazley</u>	<u>Route 2, Richmond, Kentucky 40475</u>
<u>Charles Turner</u>	<u>Route 2, Richmond, Kentucky</u>

ARTICLE XI

BY-LAWS

The corporation may make and amend By-Laws at its pleasure through its Board of Directors.

IN WITNESS WHEREOF, we have hereunto subscribed our names this

3rd day of July, 1970

Charles Combs _____

Otis Bundy _____

R. E. Sasser _____

George Hazley _____

Charles Turner _____

STATE OF KENTUCKY)

COUNTY OF)

On this 2nd day of July, 1970.

before me Elizabeth M. Robbins a Notary Public
in and for said County, personally appeared Charles Combs,
Otis Bundy, R E Sasser, George
Begley, Charles Turner

to me known to be the person(s) named in and who executed the fore
going instrument, and acknowledged that they executed the same as their
voluntary act and deed.



Elizabeth M. Robbins
Notary Public in and for Said County or State

My commission expires:

August 9, 1972

Prepared by
George W. Roblin
attorney at law
Richmond, Ky

ORIGINAL COPY
FILED AND RECORDED

Walter R. R. R.

JUL 15 1970

SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

BY [Signature]
Notary Public in and for Said County or State

State of Kentucky }
County of Madison } Set.

I, C. S. WAGERS, Clerk of the Madison County Court, do certify that the foregoing *Art. of Cons. to... Kirtsville Water Association, Inc.* was on the *15* day of *July*, 19*20*, produced to me in my office certified as above for record. Whereupon the same with the foregoing and this certificate have been duly recorded in my office.

Given under my hand, this *17* day of *July*, 19*20*

 Clerk
By  D. C.

BOOK *5* PAGE *547*

\$495,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Kirksville Water Association*

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
08/01/2012	Serial Coupon	2.250%	1.300%	20,000.00	101.637%	20,327.40
08/01/2013	Serial Coupon	2.250%	1.470%	20,000.00	102.093%	20,418.60
08/01/2014	Serial Coupon	2.250%	1.710%	20,000.00	101.952%	20,390.40
08/01/2015	Serial Coupon	2.250%	2.050%	25,000.00	100.899%	25,224.75
08/01/2016	Serial Coupon	2.250%	2.300%	25,000.00	99.730%	24,932.50
08/01/2017	Serial Coupon	2.500%	2.600%	25,000.00	99.382%	24,845.50
08/01/2018	Serial Coupon	2.750%	2.840%	25,000.00	99.375%	24,843.75
08/01/2019	Serial Coupon	3.000%	3.050%	25,000.00	99.615%	24,903.75
08/01/2020	Serial Coupon	3.250%	3.220%	25,000.00	100.246%	25,061.50
08/01/2021	Serial Coupon	3.250%	3.340%	25,000.00	99.189%	24,797.25
08/01/2022	Serial Coupon	3.500%	3.460%	25,000.00	100.379%	25,094.75
08/01/2023	Serial Coupon	3.500%	3.540%	30,000.00	99.588%	29,876.40
08/01/2024	Serial Coupon	3.630%	3.600%	30,000.00	100.319%	30,095.70
08/01/2025	Serial Coupon	3.750%	3.670%	30,000.00	100.900%	30,270.00
08/01/2026	Serial Coupon	3.750%	3.750%	30,000.00	100.000%	30,000.00
08/01/2027	Serial Coupon	3.880%	3.840%	30,000.00	100.486%	30,145.80
08/01/2028	Serial Coupon	4.000%	3.930%	35,000.00	100.883%	35,309.05
08/01/2029	Serial Coupon	4.000%	4.030%	35,000.00	99.602%	34,860.70
Total	-	-	-	\$480,000.00	-	\$481,397.80

Bid Information

Par Amount of Bonds.....	\$480,000.00
Reoffering Premium or (Discount).....	1,397.80
Gross Production.....	\$481,397.80
Total Underwriter's Discount (1.050%).....	\$(5,040.00)
Bid (99.241%).....	476,357.80
Total Purchase Price.....	\$476,357.80
Bond Year Dollars.....	\$5,305.00
Average Life.....	11.052 Years
Average Coupon.....	3.5049270%
Net Interest Cost (NIC).....	3.5735830%
True Interest Cost (TIC).....	3.5526331%

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\$495,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Kirksville Water Association*

Aggregate Debt Service

Date	Principal	Interest	Total P+I
12/30/2010	-	-	-
12/30/2011	15,000.00	11,655.38	26,655.38
12/30/2012	20,000.00	15,390.50	35,390.50
12/30/2013	20,000.00	14,940.50	34,940.50
12/30/2014	20,000.00	14,490.50	34,490.50
12/30/2015	25,000.00	14,040.50	39,040.50
12/30/2016	25,000.00	13,478.00	38,478.00
12/30/2017	25,000.00	12,915.50	37,915.50
12/30/2018	25,000.00	12,290.50	37,290.50
12/30/2019	25,000.00	11,603.00	36,603.00
12/30/2020	25,000.00	10,853.00	35,853.00
12/30/2021	25,000.00	10,040.50	35,040.50
12/30/2022	25,000.00	9,228.00	34,228.00
12/30/2023	30,000.00	8,353.00	38,353.00
12/30/2024	30,000.00	7,303.00	37,303.00
12/30/2025	30,000.00	6,214.00	36,214.00
12/30/2026	30,000.00	5,089.00	35,089.00
12/30/2027	30,000.00	3,964.00	33,964.00
12/30/2028	35,000.00	2,800.00	37,800.00
12/30/2029	35,000.00	1,400.00	36,400.00
Total	\$495,000.00	\$186,048.88	\$681,048.88

Par Amounts Of Selected Issues

WATER ASSOCIATIONS -Kirksville Water Association.....	480,000.00
WATER ASSOCIATIONS -Kirksville WA Taxable.....	15,000.00
TOTAL.....	495,000.00

\$495,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Kirksville Water Association*

Total Net Debt Service

Date	Principal	Interest	Expenses	Net New D/S
12/30/2010	-	-	-	-
12/30/2011	15,000.00	11,655.38	350.00	27,005.38
12/30/2012	20,000.00	15,390.50	350.00	35,740.50
12/30/2013	20,000.00	14,940.50	350.00	35,290.50
12/30/2014	20,000.00	14,490.50	350.00	34,840.50
12/30/2015	25,000.00	14,040.50	350.00	39,390.50
12/30/2016	25,000.00	13,478.00	350.00	38,828.00
12/30/2017	25,000.00	12,915.50	350.00	38,265.50
12/30/2018	25,000.00	12,290.50	350.00	37,640.50
12/30/2019	25,000.00	11,603.00	350.00	36,953.00
12/30/2020	25,000.00	10,853.00	350.00	36,203.00
12/30/2021	25,000.00	10,040.50	350.00	35,390.50
12/30/2022	25,000.00	9,228.00	350.00	34,578.00
12/30/2023	30,000.00	8,353.00	350.00	38,703.00
12/30/2024	30,000.00	7,303.00	350.00	37,653.00
12/30/2025	30,000.00	6,214.00	350.00	36,564.00
12/30/2026	30,000.00	5,089.00	350.00	35,439.00
12/30/2027	30,000.00	3,964.00	350.00	34,314.00
12/30/2028	35,000.00	2,800.00	350.00	38,150.00
12/30/2029	35,000.00	1,400.00	350.00	36,750.00
Total	\$495,000.00	\$186,048.88	\$6,650.00	\$687,698.88

Par Amounts Of Selected Issues

WATER ASSOCIATIONS -Kirksville Water Association.....	480,000.00
WATER ASSOCIATIONS -Kirksville WA Taxable.....	15,000.00
TOTAL.....	495,000.00

\$495,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Kirksville Water Association*

Sources & Uses

Dated 11/01/2010 | Delivered 11/01/2010

Sources Of Funds

Par Amount of Bonds.....	\$495,000.00
Reoffering Premium.....	1,397.80
Transfers from Prior Issue Debt Service Funds.....	14,257.45

Total Sources..... \$510,655.25

Uses Of Funds

Total Underwriter's Discount.....	5,118.00
Costs of Issuance.....	15,420.00
Deposit to Current Refunding Fund.....	486,801.12
Rounding Amount.....	3,316.13

Total Uses..... \$510,655.25

\$495,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Kirksville Water Association*

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2010	-	-	-	-	-
12/30/2011	26,655.38	350.00	27,005.38	42,772.36	15,766.98
12/30/2012	35,390.50	350.00	35,740.50	42,772.14	7,031.64
12/30/2013	34,940.50	350.00	35,290.50	42,772.04	7,481.54
12/30/2014	34,490.50	350.00	34,840.50	42,772.00	7,931.50
12/30/2015	39,040.50	350.00	39,390.50	42,771.78	3,381.28
12/30/2016	38,478.00	350.00	38,828.00	42,771.96	3,943.96
12/30/2017	37,915.50	350.00	38,265.50	42,771.88	4,506.38
12/30/2018	37,290.50	350.00	37,640.50	42,771.70	5,131.20
12/30/2019	36,603.00	350.00	36,953.00	42,772.34	5,819.34
12/30/2020	35,853.00	350.00	36,203.00	42,771.42	6,568.42
12/30/2021	35,040.50	350.00	35,390.50	42,772.44	7,381.94
12/30/2022	34,228.00	350.00	34,578.00	42,772.42	8,194.42
12/30/2023	38,353.00	350.00	38,703.00	42,772.26	4,069.26
12/30/2024	37,303.00	350.00	37,653.00	42,772.50	5,119.50
12/30/2025	36,214.00	350.00	36,564.00	42,772.32	6,208.32
12/30/2026	35,089.00	350.00	35,439.00	42,772.60	7,333.60
12/30/2027	33,964.00	350.00	34,314.00	42,771.80	8,457.80
12/30/2028	37,800.00	350.00	38,150.00	42,772.08	4,622.08
12/30/2029	36,400.00	350.00	36,750.00	42,772.06	6,022.06
Total	\$681,048.88	\$6,650.00	\$687,698.88	\$812,670.10	\$124,971.22

Sinking Fund Transfer	(14,257.45)
Rounding Amount	3,316.13
Total Net FV Benefit	<u>114,029.90</u>

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	96,988.34
Effects of changes in Expenses.....	(4,613.19)
Net PV Cashflow Savings @ 4.035%(AIC).....	92,375.15
Transfers from Prior Issue Debt Service Fund.....	(14,257.45)
Contingency or Rounding Amount.....	3,316.13
Net Present Value Benefit.....	\$81,433.83
Net PV Benefit / \$477,256 Refunded Principal.....	17.063%
Net PV Benefit / \$495,000 Refunding Principal.....	16.451%

Refunding Bond Information

Refunding Dated Date.....	
Refunding Delivery Date.....	11/01/2010

\$635,000
Kirksville Water Association
Series 1989

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	14,137.00	6.000%	28,635.36	42,772.36
12/30/2012	14,985.00	6.000%	27,787.14	42,772.14
12/30/2013	15,884.00	6.000%	26,888.04	42,772.04
12/30/2014	16,837.00	6.000%	25,935.00	42,772.00
12/30/2015	17,847.00	6.000%	24,924.78	42,771.78
12/30/2016	18,918.00	6.000%	23,853.96	42,771.96
12/30/2017	20,053.00	6.000%	22,718.88	42,771.88
12/30/2018	21,256.00	6.000%	21,515.70	42,771.70
12/30/2019	22,532.00	6.000%	20,240.34	42,772.34
12/30/2020	23,883.00	6.000%	18,888.42	42,771.42
12/30/2021	25,317.00	6.000%	17,455.44	42,772.44
12/30/2022	26,836.00	6.000%	15,936.42	42,772.42
12/30/2023	28,446.00	6.000%	14,326.26	42,772.26
12/30/2024	30,153.00	6.000%	12,619.50	42,772.50
12/30/2025	31,962.00	6.000%	10,810.32	42,772.32
12/30/2026	33,880.00	6.000%	8,892.60	42,772.60
12/30/2027	35,912.00	6.000%	6,859.80	42,771.80
12/30/2028	38,067.00	6.000%	4,705.08	42,772.08
12/30/2029	40,351.00	6.000%	2,421.06	42,772.06
Total	\$477,256.00	-	\$335,414.10	\$812,670.10

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	11.380 Years
Average Coupon.....	6.000000%
Weighted Average Maturity (Par Basis).....	11.380 Years

Refunding Bond Information

Refunding Dated Date.....	11/01/2010
Refunding Delivery Date.....	11/01/2010

KIRKSVILLE WATER ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash on hand	\$ 186	\$ 186
Cash - operating account	295,186	495,608
Certificate of deposit	203,164	-
Accounts receivable - trade, net	67,564	76,851
Inventory	12,371	9,132
Prepaid insurance	4,760	2,852
	<u>583,231</u>	<u>584,629</u>
TEMPORARILY RESTRICTED ASSETS		
Reserve accounts		
Sinking fund - cash	63,514	81,765
Certificates of deposit	35,868	34,869
Customer deposits - cash	3,143	1,730
	<u>102,525</u>	<u>118,364</u>
FIXED ASSETS		
Property, Plant and Equipment	4,823,505	4,474,997
Less accumulated depreciation	<u>(1,867,169)</u>	<u>(1,741,600)</u>
	<u>2,956,336</u>	<u>2,733,397</u>
Fixed Assets - Net	<u>2,956,336</u>	<u>2,733,397</u>
TOTAL ASSETS	<u>\$ 3,642,092</u>	<u>\$ 3,436,390</u>

The accompanying notes are an integral part of the financial statements.

KIRKSVILLE WATER ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2009 AND 2008

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 37,292	\$ 35,501
Accounts payable and accrued liabilities	28,026	27,892
Customer deposits	<u>19,955</u>	<u>18,800</u>
Total Current Liabilities	<u>85,273</u>	<u>82,193</u>
LONG-TERM DEBT: LESS CURRENT PORTION		
1975 Note payable - Rural development	75,796	91,911
1989 Note payable - Rural development	474,845	487,544
1994 Note payable - Rural development	74,869	76,614
1999 Note payable - Rural development	94,457	95,811
2000 Note payable - Rural development	229,929	233,043
2004 Note payable - Rural development	95,134	96,418
2004 Note payable - Rural development	<u>66,510</u>	<u>67,491</u>
Total Long-Term Debt	<u>1,111,540</u>	<u>1,148,832</u>
NET ASSETS		
Unrestricted net assets	(307,361)	(304,499)
Temporarily restricted net assets	102,525	118,364
Contributions in aid of construction	1,893,429	1,653,654
Tap on fees	<u>756,686</u>	<u>737,846</u>
Total Net Assets	<u>2,445,279</u>	<u>2,205,365</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,642,092</u></u>	<u><u>\$ 3,436,390</u></u>

The accompanying notes are an integral part of these financial statements.

KIRKSVILLE WATER ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING INCREASES IN UNRESTRICTED NET ASSETS		
Sale of water	\$ 745,010	\$ 772,204
Miscellaneous income	<u>20,857</u>	<u>23,250</u>
Total Operating Revenue	<u>765,867</u>	<u>795,454</u>
OPERATING DECREASES IN UNRESTRICTED NET ASSETS		
Water purchased	308,538	302,403
Personnel	95,249	96,045
Insurance	14,029	12,667
Postage	7,741	7,491
Plant utilities	11,506	11,843
Commissioner fees	18,600	18,300
Taxes	6,611	6,758
Telephone	1,151	1,208
Supplies	5,480	3,177
Legal, professional and clerical services	93,736	76,115
Miscellaneous expense	4,281	12,331
Public service commission assessment	1,232	1,293
Repairs and maintenance	9,007	29,025
Travel	19,712	18,138
Advertising	1,443	1,418
Bank charges	<u>4,806</u>	<u>3,717</u>
Total	<u>603,122</u>	<u>601,929</u>
Depreciation	<u>125,569</u>	<u>122,052</u>
Total Operating Expenses	<u>728,691</u>	<u>723,981</u>
Operating Revenue	<u>37,176</u>	<u>71,473</u>
NON-OPERATING INCREASES (DECREASES) IN UNRESTRICTED NET ASSETS		
Interest income	7,415	14,269
Interest on long-term debt	(63,256)	(63,669)
Interest on customer deposits	<u>(36)</u>	<u>(163)</u>
Total Other Income (Expenses)	<u>(55,877)</u>	<u>(49,563)</u>
NET INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (18,701)</u>	<u>\$ 21,910</u>

The accompanying notes are an integral part of the financial statements.

KIRKSVILLE WATER ASSOCIATION, INC.
 STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Unrestricted net assets	Temporarily restricted net assets	Contributions in aid of construction	Tap on fees
Beginning balance, January 1, 2009	\$ (304,499)	\$ 118,364	\$ 1,653,654	\$ 737,846
Increase (decrease) in net assets	(18,701)	-	-	-
Contributions	-	-	239,775	18,840
Transfers to/(from) temporarily restricted net assets	<u>15,839</u>	<u>(15,839)</u>	<u>-</u>	<u>-</u>
Ending balance, December 31, 2009	<u>\$ (307,361)</u>	<u>\$ 102,525</u>	<u>\$ 1,893,429</u>	<u>\$ 756,686</u>

	Unrestricted net assets	Temporarily restricted net assets	Contributions in aid of construction	Tap on fees
Beginning balance, January 1, 2008	\$ (343,029)	\$ 134,984	\$ 1,567,288	\$ 704,876
Increase (decrease) in net assets	21,910	-	-	-
Contributions	-	-	86,366	32,970
Transfers to/(from) temporarily restricted net assets	<u>16,620</u>	<u>(16,620)</u>	<u>-</u>	<u>-</u>
Ending balance, December 31, 2008	<u>\$ (304,499)</u>	<u>\$ 118,364</u>	<u>\$ 1,653,654</u>	<u>\$ 737,846</u>

KIRKSVILLE WATER ASSOCIATION, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Operating revenue	\$ 37,176	\$ 71,473
Adjustments to reconcile operating increase (decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	125,569	122,052
(Increase) decrease in accounts receivable	9,287	(5,672)
(Increase) decrease in inventory	(3,239)	2,088
(Increase) in other assets	(1,908)	-
Increase (decrease) in accounts payable and accruals	1,289	(138)
Net cash provided by operating activities	<u>168,174</u>	<u>189,803</u>
Cash flows from investing activities:		
Interest income received	7,415	14,269
(Increase) in certificate of deposit	(203,164)	-
Decrease in temporarily restricted assets	15,839	16,620
Payment for purchase of fixed assets	<u>(348,508)</u>	<u>(208,573)</u>
Net cash (used) by investing activities	<u>(528,418)</u>	<u>(177,684)</u>
Cash flows from financing activities:		
Tap on fees	18,840	32,970
Interest paid	(63,292)	(63,832)
Contribution in aid of construction	239,775	86,366
Principal payment on debt	<u>(35,501)</u>	<u>(37,043)</u>
Net cash provided by financing	<u>159,822</u>	<u>18,461</u>
Net increase (decrease) in cash and cash equivalents	(200,422)	30,580
Cash and cash equivalents at beginning of year	<u>495,794</u>	<u>465,214</u>
Cash and cash equivalents at end of year	<u>\$ 295,372</u>	<u>\$ 495,794</u>

The accompanying notes are an integral part of these financial statements.

Position 5 ⁶

RECORDED NOV 2 2010 18.00

MADISON COUNTY

M936 Pg 168

5-44

REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by Kirksville Water Association, Inc.

5/44

residing in Richmond, Madison County, Kentucky, whose post office address is P. O. Box 670, Richmond, Kentucky 40476, herein called "Borrower," and:

WHEREAS Borrower is indebted to the United States of America, acting through the United States Department of Agriculture, herein called the "Government," as evidenced by one or more promissory notes or assumption agreements or any shared appreciation or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
---------------------------	-------------------------	--------------------------------	--------------------------------------

SEE EXHIBIT "A"

(The interest rate for limited resource farm ownership or limited resource operating loans secured by this instrument may be increased as provided in the Government regulations or the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949 or any other statute administered by the Government;

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument, this instrument shall secure payment of the note;

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §1490a, or any amounts due under any Shared Appreciation Agreement/Recapture Agreement entered into pursuant to 7 U.S.C. §2001.

NOW, THEREFORE, in consideration of the loans and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision and (b) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby sell, convey, and assign, with general warranty, unto the Government the following property situated in the State of Kentucky,

County or Counties of SEE EXHIBIT "B"

being the same (or part of the same) land conveyed* together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues and profits thereof and revenues and income therefrom, all improvements, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest there in all of which are herein called "the property"; All rents, profits and income from the property covered by this mortgagee are hereby assigned to the mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to the mortgagor, so long as no default exist hereunder, to collect such rents, profits and income for use in accordance with regulations.

TO HAVE AND TO HOLD the property unto the Government and its assigns forever in fee simple.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS THE TITLE to the property to the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured less the Government against any loss under its insurance of payment of the note by reason of any default by Borrower.

(2) To pay to the Government such fees and other charges as may now or hereafter be required by Government regulations.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) The Government, may at any time pay any other amounts required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe, and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

(10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property. Upon termination of this mortgage, after payment in full, the mortgagee, at the mortgagor's expense, shall execute and file or record such instruments of release, satisfaction and termination in proper form pursuant to the requirements contained in KRS 382.365.

(12) Except as otherwise provided by Government regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government—whether once or often—in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to the Government, in the order prescribed above.

(19) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

(20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, age or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, handicap, familial status, age or national origin.

(21) Borrower further agrees that the loans secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as prohibited by 7 C.F.R. part 1940, subpart G.

(22) This instrument shall be subject to the present Government regulations and to its future regulations not inconsistent with the express provisions hereof.

(23) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, and addressed, unless and until some other address is designated in a notice so given, in the case of the Government to,

_____ and in the case of Borrower to the address shown in the Government's Finance Office records (which normally will be the same as the post office shown above).

(24) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

Given under the hands and seals of Borrower this 20th day of MAY, 192004.

Billy C. May President (SEAL)
Carl Ferrier Secretary (SEAL)

STATE OF KENTUCKY

COUNTY OF Madison } ss:

Before me, Billy C. May, a Notary Public in and for the County of Madison personally appeared Billy May

and _____, his wife,

who acknowledged that they executed the foregoing instrument on the 20th

day of 20 May, 2004, as their free act and deed.

WITNESS my hand and official seal this 20 day of May, 192004

Tom Coffey
Notary Public

(SEAL)
My commission expires: 1-21-2007

PREPARER'S STATEMENT

The form of this instrument was drafted by the Office of the General Counsel of the United States Department of Agriculture, and the material in the blank spaces in the form was inserted by or under the direction of

Jud PATTERSON (name),
1001 GIBSON BAY DRIVE, SUITE 203 RICHMOND, Ky 40475 (address)
Jud Patter (Signature)

RECORDER'S SIGNATURE

STATE OF KENTUCKY

COUNTY OF _____ } ss:

I, _____, Clerk of the County Court for the County aforesaid, do certify that the foregoing mortgage was on the _____ day of _____, 19____, lodged for record at _____ o'clock _____ M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this _____ day of _____, 19____.

Clerk of _____ County Court
By _____, D.C.

MORTGAGE ATTACHMENT EXHIBIT "A"
Description of Promissory Notes
And/or Assumption Agreements
Of
Kirksville Water Association, Inc.
To
United States of America,
Acting through the Rural Housing Service or successor agency,
United States Department of Agriculture
Rural Development
United States Department of Agriculture
95 South Laurel Road
London, Kentucky 40744

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Maturity Date</u>
(A) May 20, 2004	\$100,000 @4.375%	May 20, 2044
(B) May 20, 2004	\$ 70,000 @4.375	May 20, 2044
(C) November 14, 2000	\$250,900 @5.5%	November 14, 2040
(D) February 11, 1999	\$102,300 @4.5%	February 11, 2039
(E) April 1, 1994	\$ 93,500 @4.5%	April 1, 2034
(F) September 25, 1989	\$635,000 @6.0%	September 25, 2029
(G) July 15, 1975	\$345,000 @5.0%	July 15, 2015

END OF MORTGAGE ATTACHEMENT EXHIBIT "A"

MORTGAGE ATTACHMENT EXHIBIT "B"
Description of Property
Kirksville Water Association, Inc.
to
United States of America,
acting through the Rural Housing Service or successor agency,
United States Department of Agriculture
Rural Development
United States Department of Agriculture
95 South Laurel Road
London, Kentucky 40744

All of the following described property located in Madison County, Kentucky being more particularly described as follows, to wit:

Beginning at a point N33 degrees 17' 01" W 429.18 feet from the corner of the Board of Education parent tract with the 20' water line easement a corner (IPS) N33 degrees 17' 01" W 117.612 feet to a new corner (IPS) with the property of the Board of Education , thence S57 degrees 19' 53" W 60.264 feet to a new corner (IPS) still with the Board of Education S07 degrees 44' 15" E 48.073 feet, S14 degrees 33' 58" E 52.72 feet, S 24 degrees 47' 18" E 25.226 feet, a new corner (IPS) on the northwest side of a barn still with the Board of Education, N56 degrees 42' 59" E 101.638 feet to a point of beginning, containing 10,000 square feet to be used for a water tank. See Survey of CMW dated June 25, 1999, and recorded in Plat Book 16 at page 193, Madison County Court Clerk's Office.

There is also granted an access easement along the school entrance and existing gravel road to the property and a twenty-foot water line easement as set forth on said plat.

Being the same property conveyed to Kirksville Water Association, Inc., by Deed dated 12th day of August, 1999, from Board of Education of Madison County, Kentucky, of record in Deed Book 506 page 351 records of the office of the County Court Clerk, Madison County, Kentucky.

END OF MORTGAGE ATTACHEMENT EXHIBIT "B"

DOCUMENT NO: 324891
RECORDED ON: MAY 26, 2004 08:21:39AM
TOTAL FEES: \$18.00
COUNTY CLERK: WILLIAM E GABBARD
COUNTY: MADISON COUNTY
DEPUTY CLERK: JESSICA N CONNER

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Form RD 3550-14 KY (8-99) Space Above This Line For Recording Data Form Approved OMB No. 0575-0172

United States Department of Agriculture Rural Housing Service

MORTGAGE FOR KENTUCKY

THIS MORTGAGE ("Security Instrument") is made on November 14, 2000 [Date] The mortgagor is Kirksville Water Association, Inc., a non-profit Kentucky corporation, P. O. Box 670, Richmond, KY. 40476-0670 ("Borrower"). This Security Instrument is given to the United States of America acting through the Rural Housing Service or successor agency, United States Department of Agriculture ("Lender"), whose address is Rural Housing Service, United States Department of Agriculture, P.O. Box 66880, Suburban Station, 63666 Development, United States Department of Agriculture, 95 South Laurel Road, London, KY. 40744. Borrower is indebted to Lender under the following promissory notes and/or assumption agreements (herein collectively called "Note") which have been executed or assumed by Borrower and which provide for ANNUAL payments, with the full debt, if not paid earlier, due and payable on the maturity date(\$), as follows, to wit:

Date of Instrument Principal Amount Maturity Date

SEE MORTGAGE ATTACHMENT EXHIBIT "B" attached hereto and incorporated herein by reference This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the property covered by this Security Instrument; (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower does hereby mortgage, grant, and convey to Lender the following described property located in the County of Madison State of Kentucky, to wit:

SEE MORTGAGE ATTACHMENT EXHIBIT "A" attached hereto and incorporated herein by reference

which has the address of Highway 52 (Lancaster Road), Richmond, Kentucky Kentucky 40475 [ZIP] [Sheet] [City] ("Property Address").

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures which now or hereafter are a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information

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Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note

2. Funds for Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") for: (a) yearly taxes and assessments which may attain priority over this Security Instrument as a lien on the Property; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard or property insurance premiums; and (d) yearly flood insurance premiums, if any. These items are called "Escrow Items." Lender may, at any time, collect and hold Funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Borrower's escrow account under the federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. § 2601 *et seq.* ("RESPA"), unless another law or federal regulation that applies to the Funds sets a lesser amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lesser amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with applicable law.

The Funds shall be held by a federal agency (including Lender) or in an institution whose deposits are insured by a federal agency, instrumentality, or entity. Lender shall apply the Funds to pay the Escrow Items. Lender may not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. However, Lender may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Lender in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender may agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds, showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for all sums secured by this Security Instrument.

If the Funds held by Lender exceed the amounts permitted to be held by applicable law, Lender shall account to Borrower for the excess funds in accordance with the requirements of applicable law. If the amount of the Funds held by Lender at any time is not sufficient to pay the Escrow Items when due, Lender may so notify Borrower in writing, and, in such case Borrower shall pay to Lender the amount necessary to make up the deficiency. Borrower shall make up the deficiency in no more than twelve monthly payments, at Lender's sole discretion.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If Lender shall acquire or sell the Property after acceleration under paragraph 22, Lender, prior to the acquisition or sale of the Property, shall apply any Funds held by Lender at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

3. Application of Payments. Unless applicable law or Lender's regulations provide otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied in the following order of priority: (1) to advances for the preservation or protection of the Property or enforcement of this lien; (2) to accrued interest due under the Note; (3) to principal due under the Note; ~~(4) to taxes and assessments, if any, due on the Property; (5) to insurance premiums, if any, due on the Property; and (6) to late charges and other fees and charges.~~ (4) to late charges and other fees and charges.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Lender has agreed in writing to such lien or Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within ten (10) days of the giving of notice.

Borrower shall pay to Lender such fees and other charges as may now or hereafter be required by regulations of Lender, and pay or reimburse Lender for all of Lender's fees, costs, and expenses in connection with any full or partial release or subordination of this instrument or any other transaction affecting the property.

5. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurer providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, at Lender's option Lender may obtain coverage to protect Lender's rights in the Property pursuant to paragraph 7.

All insurance policies and renewals shall be in a form acceptable to Lender and shall include a standard mortgagee clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within thirty (30) days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The thirty (30) day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If after acceleration the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

6. Preservation, Maintenance, and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall maintain the improvements in good repair and make repairs required by Lender. Borrower shall comply with all laws, ordinances, and regulations affecting the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such a default by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note. If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights in the Property If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender is not required to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

8. Refinancing. If at any time it shall appear to Lender that Borrower may be able to obtain a loan from a responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes, Borrower will, upon the Lender's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby in full.

9. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

10. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a total taking of the Property, the proceeds shall be

applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured hereby immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the ~~annual~~ payments referred to in paragraphs 1 and 2 or change the amount of such payments.

11. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower and any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 16. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

13. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

14. Governing Law; Severability. This Security Instrument shall be governed by federal law. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable. This instrument shall be subject to the present regulations of Lender, and to its future regulations not inconsistent with the express provisions hereof. All powers and agencies granted in this instrument are coupled with an interest and are irrevocable by death or otherwise; and the rights and remedies provided in this instrument are cumulative to remedies provided by law.

15. Borrower's Copy. Borrower acknowledges receipt of one conformed copy of the Note and of this Security Instrument.

16. Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is leased for a term greater than three (3) years, leased with an option to purchase, sold, or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument.

17. Nondiscrimination. If Borrower intends to sell or rent the Property or any part of it and has obtained Lender's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower, will refuse to negotiate for the sale or rental of the Property or will otherwise make unavailable or deny the Property to anyone because of race, color, religion, sex, national origin, handicap, age, or familial status, and (b) Borrower recognizes as illegal and hereby disclaims and will not comply with or attempt to enforce any restrictive covenants on dwelling relating to race, color, religion, sex, national origin, handicap, age or familial status.

18. Sale of Note; Change of Loan Servicer. The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security

Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 13 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made.

19. Uniform Federal Non-Judicial Foreclosure. If a uniform federal non-judicial foreclosure law applicable to foreclosure of this security instrument is enacted, Lender shall have the option to foreclose this instrument in accordance with such federal procedure.

20. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any hazardous substances on or in the Property. The preceding sentence shall not apply to the presence, use, or storage on the Property of small quantities of hazardous substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any federal, state, or local environmental law or regulation.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any hazardous substance or environmental law or regulation of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any hazardous substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with applicable environmental law and regulations.

As used in this paragraph "hazardous substances" are those substances defined as toxic or hazardous substances by environmental law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph, "environmental law" means federal laws and regulations and laws and regulations of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

21. Cross Collateralization. Default hereunder shall constitute default under any other real estate security instrument held by Lender and executed or assumed by Borrower, and default under any other such security instrument shall constitute default hereunder.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

22. SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, Lender, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to Lender hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the Property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the Property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

23. The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to Lender secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at Lender's option, any other indebtedness of Borrower owing to Lender, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the Property, Lender and its agents may bid and purchase as a stranger and may pay Lender's share of the purchase price by crediting such amount on any debts of Borrower owing to Lender, in the order prescribed above.

24. Borrower agrees that Lender will not be bound by any present or future state laws, (a) providing for valuation, appraisal, homestead or exemption of the Property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which Lender may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the Property to a new Borrower. Borrower expressly waives the benefit of any such state law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

25. Release. Upon termination of this mortgage, after payment in full, the mortgagee, at Borrower's expense, shall execute and file or record such instruments of release, satisfaction and termination in proper form pursuant to the requirements contained in KRS 382.365

26. Riders to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements of each rider shall be incorporated into and

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shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box]

Condominium Rider Planned Unit Development Rider Other(s) [specify]

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in pages 1 through 6 of this Security Instrument and in any rider executed by Borrower and recorded with this Security Instrument

Kirksville Water Association, Inc. [SEAL]

Borrower

by: Otis Bundy, President [SEAL]

STATE OF KENTUCKY }
COUNTY OF Madison } ss :

ACKNOWLEDGMENT

Before me, J. Neal Martin, a Notary Public in and for the County of State at Large, personally appeared Otis Bundy

who acknowledged that he executed the foregoing instrument on the 14th day of November, 2000 as his free act and deed, as President of the Kirksville Water Association, Inc.

WITNESS my hand and official seal this 14th day of November, 2000.

[SEAL]

[Signature] Notary Public

My commission expires 8-8-03

PREPARER'S STATEMENT

The form of this instrument was drafted by the Office of the General Counsel of the United States Department of Agriculture, and the material in the blank spaces in the form was inserted by or under the direction of:

J. Neal Martin
(Name)

[Signature]
(Signature)

P. G. Box 828, Richmond, Ky. 40476-0828
(Address)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY }
COUNTY OF Madison } ss :

I, Mary Jane Ginter, Clerk of the County Court for the County aforesaid, do certify that the foregoing mortgage was on the _____ day of _____, _____, lodged for record _____ at _____ o'clock ___ M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this _____ day of _____, _____.

Mary Jane Ginter
Clerk of Madison County Court

By _____, D.C.

MORTGAGE ATTACHMENT EXHIBIT "A"
Description of Property
Kirksville Water Association, Inc.
to
United States of America,
acting through the Rural Housing Service or successor agency,
United States Department of Agriculture
Rural Development
United States Department of Agriculture
95 South Laurel Road
London, Kentucky 40744

All of the following described property located in Madison County, Kentucky being more particularly described as follows, to wit:

Beginning at a point N33 degrees 17' 01"W 429.18 feet from the corner of the Board of Education parent tract with the 20' water line easement a corner (IPS) N33 degrees 17' 01"W 117.612 feet to a new corner (IPS) with the property of the Board of Education, thence S57 degrees 19' 53"W 60.264 feet to a new corner (IPS) still with the Board of Education S07 degrees 44' 15"E 48.073 feet, S14 degrees 33' 58"E 52.72 feet, S24 degrees 47' 18"E 25.226 feet, a new corner (IPS) on the northwest side of a barn still with the Board of Education, N56 degrees 42' 59"E 101.638 feet to the point of beginning, containing 10,000 square feet to be used for a water tank. See Survey of CMW dated June 25, 1999, and recorded in Plat Book 16 at page 193, Madison County Court Clerk's Office.

There is also granted an access easement along the school entrance and existing gravel road to the property and a twenty-foot water line easement as set forth on said plat.

Being the same property conveyed to Kirksville Water Association, Inc., by Deed dated 12th day Of August, 1999, from Board of Education of Madison County, Kentucky, of record in Deed Book 506 page 351 records of the Office of the County Court Clerk, Madison County, Kentucky.

END OF MORTGAGE ATTACHMENT EXHIBIT "A"

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MORTGAGE ATTACHMENT EXHIBIT "B"
Description of Promissory Notes
and/or Assumption Agreements
of
Kirksville Water Association, Inc.
to
United States of America,
acting through the Rural Housing Service or successor agency,
United States Department of Agriculture
Rural Development
United States Department of Agriculture
95 South Laurel Road
London, Kentucky 40744

	<u>DATE OF INSTRUMENT</u>	<u>PRINCIPAL AMOUNT</u>	<u>MATURITY DATE</u>
THIS NOTE HOLDS FIRST PRIORITY	A). NOVEMBER 14, 2000	\$250,900.00 @ 05.5%	NOVEMBER 14, 2040
	B). FEBRUARY 11, 1999	\$102,300.00 @ 04.5%	FEBRUARY 11, 2039
	C). APRIL 1, 1994	\$ 93,500.00 @ 04.5%	APRIL 1, 2034
	D). SEPTEMBER 25, 1989	\$635,000.00 @ 06.0%	SEPTEMBER 25, 2029
	E). JULY 15, 1975	\$345,000.00 @ 05.0%	JULY 15, 2015

END OF MORTGAGE ATTACHMENT EXHIBIT "B"

DOCUMENT NO: 249539
RECORDED ON: DECEMBER 01, 2000 09:55:14AM
TOTAL FEES: \$22.00
COUNTY CLERK: MARY JANE GINTER
COUNTY: MADISON COUNTY
DEPUTY CLERK: JANICE ALEXANDER

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[Handwritten signature]

USDA-FmHA
Form FmHA 427-1 KY
(Rev. 6-91)

Position 5

3 pages

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5-48

REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by Kirksville Water Association, Inc., a
non-profit Kentucky corporation, whose principal offices are located
in

residing in Madison County, Kentucky, whose post office

address is P. O. Box 670, Richmond, Kentucky 40476-0670
herein called "Borrower," and:

WHEREAS Borrower is indebted to the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, herein called the "Government," as evidenced by one or more promissory note(s) or assumption agreement(s) or any shared appreciation or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
February <u>11</u> , 1999	\$102,300.00	4.5%	February <u>11</u> , 20 <u>33</u>
April 1, 1994	93,500.00	4.5%	April 1, 2034
September 25, 1989	635,000.00	6%	September 25, 2029
July 15, 1975	345,000.00	5%	July 15, 2015

(The interest rate for limited resource farm ownership or limited resource operating loan(s) secured by this instrument may be increased as provided in the Farmers Home Administration regulations and the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the payment thereof pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949 or any other statute administered by the Farmers Home Administration.

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but when the note is held by an insured holder this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity mortgage to secure the Government against loss under its insurance contract by reason of any default by Borrower.

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §1490a, or any amounts due under any Shared Appreciation Agreement/Recapture Agreement entered into pursuant to 7 U.S.C. 2001.

NOW, THEREFORE, in consideration of the loan(s) and (a) at all times when the note is held by the Government, in the event the Government should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision for the payment of an insurance or other charge, (b) at all times when the note is held by an insured holder, to secure performance of Borrower's agreement herein to indemnify and save harmless the Government against loss under its insurance contract by reason of any default by Borrower, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby sell, convey, and assign, with general warranty, unto the Government the following property situated in the State of Kentucky,

County(ies) of Madison

See "Schedule A", attached hereto, as a part hereof:

FEB 26 1999

BOOK
SERIES
PAGE 706

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property. Upon termination of this mortgage, after payment in full, the mortgagee, at the mortgagor's expense, shall execute and file or record such instruments of release, satisfaction and termination in proper form pursuant to the requirements contained in KRS 382.365.

(12) Except as otherwise provided by the Farmers Home Administration regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government--whether once or often--in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held or insured by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to or insured by the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to or insured by the Government in the order prescribed above.

(19) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

(20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, age or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, handicap, familial status, age or national origin.

(21) Borrower further agrees that the loan(s) secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 CFR Part 1940, Subpart G, Exhibit M.

(22) This instrument shall be subject to the present regulations of the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.

(23) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, addressed, unless and until some other address is designated in a notice so given in the case of the Government to Farmers Home Administration at 333 Waller Avenue, Lexington, Kentucky 40504, and in the case of Borrower at the address shown in the Farmers Home Administration Finance Office records (which normally will be the same as the post office address shown above).

(24) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

COPIES FOR FILE 709

Given under the hand(s) and seal(s) of Borrower this 11/13 day of February, 19 99.

Attested: Carl Turner (SEAL)
Secretary

Otis Bundy (SEAL)
Kirksville Water Association, Inc.
Otis Bundy, President

STATE OF KENTUCKY }
COUNTY OF Madison } ss:

Before me, _____, a Notary Public in and for
Kentucky, State At Large
~~the County of~~ _____ personally appeared Otis Bundy, President and
Carl Turner, Secretary of Kirksville ~~and~~ Water Association, Inc., ~~his~~ ~~wife~~,

who acknowledged that they executed the foregoing instrument on the 11/13
day of February, 19 99, as ~~their~~ ^{the} free act and deed. of said corporation.

WITNESS my hand and official seal this 11/13 day of February, 19 99.

(SEAL)

[Signature]
Notary Public

My commission expires: 5/20/2000

PREPARER'S STATEMENT

The form of this instrument was drafted by the Office of the General Counsel of the United States Department of Agriculture, and the material in the blank spaces in the form was inserted by or under the direction of

C. Michael Weldon
(name)

P. O. Box 726, Richmond, KY 40476-0726
(address)

[Signature]
(Signature)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY }
COUNTY OF Madison } ss:

I, Mary Jane Ginter, Clerk of the County Court for the County aforesaid, do certify
that the foregoing mortgage was on the _____ day of February, 19 99, lodged for record
at _____ o'clock _____ M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this _____ day of February, 19 99.

Clerk of Madison County Court
By _____, D.C.

DOCUMENT NO: 218209
RECORDED ON: FEBRUARY 11, 1999 11:21:11
TOTAL FEES: \$16.00
COUNTY CLERK: MARY JANE GINTER
COUNTY: MADISON COUNTY
DEPUTY CLERK: BILLY GABBARD

*U.S. Government Printing Office: 1991 — 556-764

SCHEDULE A

TRACT A

A certain tract of land situated on the east side of Maple Grove Road approximately 1500 feet north of Newby Road in Madison County, Kentucky, bounded and described as follows:

Beginning at an iron pin in the east fence line of Maple Grove Road, said iron pin being S22°-04'-31"E 295.48 feet from the corner post at the south west corner of Carl Million, a new corner to Mrs. Roland Bogle, thence leaving said fence, a new line with Mrs. Bogle, N66°-50'-00"E 100.0 feet to an iron pin and new corner with Mrs. Bogle, thence continuing a new line with Mrs. Bogle S20°-33'-44"E 100.0 feet to an iron pin, thence S66-50'-00"W 100.00 feet to an iron pin in the east fence line of Maple Grove Road, a corner, thence with said fence N20°-33'-44"W 100.0 feet to the beginning containing 0.229 acres.

Being the same property conveyed to Borrower by deed from Floy B. Bogle, single, dated February 10, 1989 recorded in the Madison County Clerk's Office in Deed Book 400 at page 121, reference to which is hereby made.

Tract A above is subject to a first mortgage lien to the United States of America (Farmers Home Administration) dated September 25, 1989 recorded in the Madison County Clerk's Office in Mortgage Book 357 at page 6, and a second lien dated April 1, 1994, recorded in Mortgage Book 426, at page 107, in the aforesaid clerk's office, reference to all of which is hereby made.

TRACT B

A certain tract of land, located on the north right of way line of Spurlock Drive (Spring Lake Subdivision) approximately 200 feet east of Kentucky Highway 595 in Kirksville, Madison County, Kentucky and being bounded by survey made July 15, 1974 by Charles E. Black, a licensed land surveyor (L.S. 670) and further described as follows:

Beginning at a steel pin in the north line of Spurlock Drive said pin being located S 81° 39' 40" W 277.80 feet from the west line of lot 36; thence with said right of way line S 81° 39' 40" W 40.00 feet to a steel pin; thence leaving said right of way line on new lines dividing the lands of Spurlock J calls, N 08° 20' 20" W 40.00 feet to a steel pin; thence N 81° 39' 40" E 40.00 feet to a steel pin; thence S 08° 20' 20" E 40.00 feet to a steel pin in the north right of way line and point of beginning and containing .037 acres.

Being the same property conveyed to Borrower by deed from Eugene W. Spurlock, Jr, et ux, dated April 29, 1975 recorded in the Madison County Clerk's Office in Deed Book 284 at page 225, reference to which is hereby made.

Tract B above is subject to a first mortgage lien to the United States of America (Farmers Home Administration) dated July 15, 1975 recorded in the Madison County Clerk's Office in Mortgage Book 218 at page 581, a second lien dated September 25, 1989 recorded in Mortgage Book 357 at page 6 and a third lien dated April 1, 1994, recorded in Mortgage Book 426, at page 107, both, in the aforesaid Clerk's office, reference to all of which is hereby made.

Thompson

Position 5

13-50

USDA-FmHA

Form FmHA 427-1 KY

(Rev. 6-91)

1680 0 1 1994 5-36

REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by Kirksville Water Association, Inc. a non-profit Kentucky corporation whose principal offices are located in

residing in Madison County, Kentucky, whose post office address is P. O. Box 670 Richmond, Kentucky 40475, herein called "Borrower," and:

WHEREAS Borrower is indebted to the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, herein called the "Government," as evidenced by one or more promissory note(s) or assumption agreement(s) or any shared appreciation or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
April 1, 1994	\$93,500.00	4.5%	April 1, 2034
September 25, 1989	\$635,000.00	6%	September 25, 2029
July 15, 1975	\$345,000.00	5%	July 15, 2015

(The interest rate for limited resource farm ownership or limited resource operating loan(s) secured by this instrument may be increased as provided in the Farmers Home Administration regulations and the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the payment thereof pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949 or any other statute administered by the Farmers Home Administration.

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but when the note is held by an insured holder this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity mortgage to secure the Government against loss under its insurance contract by reason of any default by Borrower.

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §1490a, or any amounts due under any Shared Appreciation Agreement/Recapture Agreement entered into pursuant to 7 U.S.C. 2001.

NOW, THEREFORE, in consideration of the loan(s) and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision for the payment of an insurance or other charge, (b) at all times when the note is held by an insured holder, to secure performance of Borrower's agreement herein to indemnify and save harmless the Government against loss under its insurance contract by reason of any default by Borrower, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby sell, convey, and assign, with general warranty, unto the Government the following property situated in the State of Kentucky,

County(ies) of Madison

See Schedule "A" attached hereto as a part hereof:

RECEIVED
MAY 11 11 03 AM '94
MADISON CO. CLERK
KENTUCKY

BOOK 426 PAGE 107

FmHA 427-1 KY (Rev. 6-91)

being the same (or part of the same) land conveyed*

together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues and profits thereof and revenues and income therefrom, all improvements and personal property now or later attached thereto or reasonably necessary to the use thereof, including, but not limited to, ranges, refrigerators, clothes washers clothes dryers, or carpeting purchased or financed in whole or in part with loan funds, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest therein-all of which are herein called "the property"; All rents, profits and income from the property covered by this mortgagee are hereby assigned to the mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to the mortgagor, so long as no default exist hereunder, to collect such rents, profits and income for use in accordance with Farmers Home Administration regulations.

TO HAVE AND TO HOLD the property unto the Government and its assigns forever in fee simple.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS THE TITLE to the property to the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured and to indemnify and save harmless the Government against any loss under its insurance of payment of the note by reason of any default by Borrower. At all times when the note is held by an insured holder, Borrower shall continue to make payments on the note to the Government, as collection agent for the holder.

(2) To pay to the Government such fees and other charges as may now or hereafter be required by regulations of the Farmers Home Administration.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) Whether or not the note is insured by the Government, the Government may at any time pay any other amounts required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe, and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

(10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property. Upon termination of this mortgage, after payment in full, the mortgagee, at the mortgagor's expense, shall execute and file or record such instruments of release, satisfaction and termination in proper form pursuant to the requirements contained in KRS 382.365.

(12) Except as otherwise provided by the Farmers Home Administration regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government-whether once or often-in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held or insured by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to or insured by the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to or insured by the Government, in the order prescribed above.

(19) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

(20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, age or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, handicap, familial status, age or national origin.

(21) Borrower further agrees that the loan(s) secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 CFR Part 1940, Subpart G, Exhibit M.

(22) This instrument shall be subject to the present regulations of the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.

(23) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, addressed, unless and until some other address is designated in a notice so given in the case of the Government to Farmers Home Administration at 333 Waller Avenue, Lexington, Kentucky 40504, and in the case of Borrower at the address shown in the Farmers Home Administration Finance Office records (which normally will be the same as the post office address shown above).

(24) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

BOOK 429 PAGE 110

Given under the hand(s) and seal(s) of Borrower this 1st day of April, 19 94.

ATTESTED: Carl Turner (SEAL) Secretary
Kirksville Water Assoc. Inc. (SEAL) Kirksville Water Association, Inc.
BY: Otis Bundy (SEAL) President

STATE OF KENTUCKY }
COUNTY OF Madison } ss:

Before me, James E. Thompson, a Notary Public in and for the County of Madison personally appeared Otis Bundy, President, and Carl Turner, Secretary Of Kirksville Water Association, Inc. and ~~XXXX~~

who acknowledged that they executed the foregoing instrument on ~~the~~ behalf of said corporate borrower, on April 1, 19 94, as ~~their~~ free act and deed. of said corporation.

WITNESS my hand and official seal this 1st day of April, 19 94.
(SEAL) James E. Thompson Notary Public
State at Large
My commission expires: October 15, 1996

PREPARER'S STATEMENT

The form of this instrument was drafted by the Office of the General Counsel of the United States Department of Agriculture, and the material in the blank spaces in the form was inserted by or under the direction of James E. Thompson (name)
P. O. Box 726, Richmond, Kentucky 40475 (address)
James E. Thompson (Signature)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY }
COUNTY OF Madison } ss:

I, Mary Jane Ginter, Clerk of the County Court for the County aforesaid, do certify that the foregoing mortgage was on the 1st day of April, 19 94, lodged for record at 11:03 o'clock A M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this 1st day of April, 19 94.
Mary Jane Ginter Clerk of County Court
By Carol Combs, D.C.

*U.S. Government Printing Office: 1991 — 556-764

SCHEDULE A

TRACT A

A certain tract of land situated on the east side of Maple Grove Road approximately 1500 feet north of Newby Road in Madison County, Kentucky, bounded and described as follows:

Beginning at an iron pin in the east fence line of Maple Grove Road, said iron pin being S22°-04'-31"E 295.48 feet from the corner post at the south west corner of Carl Million, a new corner to Mrs. Noland Bogle, thence leaving said fence, a new line with Mrs. Bogle, N66°-50'-00"E 100.0 feet to an iron pin and new corner with Mrs. Bogle, thence continuing a new line with Mrs. Bogle S20°-33'-44"E 100.0 feet to an iron pin, thence S66-50'-00"W 100.00 feet to an iron pin in the east fence line of Maple Grove Road, a corner, thence with said fence N20°-33'-44"W 100.0 feet to the beginning containing 0.229 acres.

Being the same property conveyed to Borrower by deed from Floy B. Bogle, single, dated February 10, 1989 recorded in the Madison County Clerk's Office in Deed Book 400 at page 121, reference to which is hereby made.

Tract A above is subject to a first mortgage lien to the United States of America (Farmers Home Administration) dated September 25, 1989 recorded in the Madison County Clerk's Office in Mortgage Book 357 at page 6, reference to which is hereby made.

TRACT B

A certain tract of land, located on the north right of way line of Spurlock Drive (Spring Lake Subdivision) approximately 200 feet east of Kentucky Highway 595 in Kirksville, Madison County, Kentucky and being bounded by survey made July 15, 1974 by Charles E. Black, a licensed land surveyor (L.S. 670) and further described as follows:

Beginning at a steel pin in the north line of Spurlock Drive said pin being located S 81° 39' 40" W 277.80 feet from the west line of lot 36; thence with said right of way line S 81° 39' 40" W 40.00 feet to a steel pin; thence leaving said right of way line on new lines dividing the lands of Spurlock J calls, N 08° 20' 20" W 40.00 feet to a steel pin; thence N 81° 39' 40" E 40.00 feet to a steel pin; thence S 08° 20' 20" E 40.00 feet to a steel pin in the north right of way line and point of beginning and containing .037 acres.

Being the same property conveyed to Borrower by deed from Eugene W. Spurlock, Jr. et ux, dated April 29, 1975 recorded in the Madison County Clerk's Office in Deed Book 284 at page 225, reference to which is hereby made.

Tract B above is subject to a first mortgage lien to the United States of America (Farmers Home Administration) dated July 15, 1975 recorded in the Madison County Clerk's Office in Mortgage Book 218 at page 581, and a second lien dated September 25, 1989 recorded in Mortgage Book 357 at page 6 in the aforesaid Clerk's office, reference to all of which is hereby made.

Kentucky
(3-10-69)

RECEIVED
JAGERS, CLERK

JUL 15 2 40 PM '75

MADISON COUNTY COURT
KENTUCKY

REAL ESTATE MORTGAGE

Non-Profit Association

KNOW ALL MEN BY THESE PRESENTS that Kirksville Water Association, Inc.
a non-profit corporation created and existing under the laws of the State of
Kentucky, having its principal office in Madison County, Kentucky,
BORROWER, for and in consideration of \$345,000.00 to it in
hand paid by the United States of America, GOVERNMENT, acting through the Farmers
Home Administration of the United States Department of Agriculture, the receipt
of which is hereby acknowledged, does, by these presents, grant, bargain and
sell, assign, transfer, convey, release, mortgage, pledge and set over unto the
Government, and to its successors and assigns forever all of the properties now
owned or hereafter acquired or possessed by the Borrower described as follows:

Granting Clause One

Tract No.1: A certain tract of land located on the north side of
Barnes Mill Road approximately .1 mile west of the Richmond City
limits at I-75 in Richmond, Madison County, Kentucky and being
bounded by survey made July 12, 1974 by Charles E. Black, a licensed
land surveyor (L.S. 670) and described as follows:

Beginning at a point in the centerline of Barnes Mill Road and
common corner to Earl Cornelison; thence with the line of Cornelison
N 02° 00' 00" W 35.00 feet to a steel pin in the line of James
Farley; thence with new lines dividing the lands of Farley 2
calls, S88° 00' 00" W 30.00 feet to a steel pin; thence S 02°
00' 00" W 35.00 feet to a point in the centerline of Barnes Mill
Road; thence with said centerline N 88° 00' 00" E 30.00 feet to
the point of beginning and containing .024 acres. (See approved
plat at Plat Book 5, at page 149.)

Being the same property conveyed to Borrower by James C. Farley,
single, by Deed dated April 29, 1975, recorded in the Madison
County Clerk's Office in Deed Book 284 at page 223, reference
to which is hereby made.

Granting Clause ~~One~~ Continued

Tract No.2: A certain tract of land, located on the north right of way line of Spurlock Drive (Spring Lake Subdivision) approximately 200 feet east of Kentucky Highway 595 in Kirkeville, Madison County, Kentucky and being bounded by survey made July 15, 1974 by Charles E. Black, a licensed land surveyor (L.S. 670) and further described as follows:

Beginning at a steel pin in the north line of Spurlock Drive said pin being located S 81° 39' 40" W 277.80 feet from the west line of lot 36; thence with said right of way line S 81° 39' 40" W 40.00 feet to a steel pin; thence leaving said right of way line on new lines dividing the lands of Spurlock 3 calls, N 08° 20' 20" W 40.00 feet to a steel pin; thence N 81° 39' 40" E 40.00 feet to a steel pin; thence S 08° 20' 20" E 40.00 feet to a steel pin in the north right of way line and point of beginning and containing .037 acres.

Being the same property conveyed to Borrower by Eugene W. Spurlock, Jr. et ux by Deed dated April 29, 1975, recorded in the Madison County Clerk's Office in Deed Book 284 at page 225, reference to which is hereby made.

Granting Clause Two

All right, title, and interest of the Borrower in any property, real, personal, mixed, tangible, or intangible, of every nature and kind whatsoever consisting of sites, tanks, pumping stations, pipelines, meters, and all fixed equipment and appurtenances thereto including easements, permits, franchises and licenses obtained or to be obtained from private, public, or semi-public agencies, bodies or individuals in the County of Madison, State of Kentucky, **(and County of Garrard)** and all such properties and assets that the Borrower may hereafter acquire, with like effect as though now owned by the Borrower and as though covered and conveyed hereby by specific and apt descriptions, together with all revenues and service charges which may arise or be had from the operation of the business of the Borrower and any and all extensions and additions thereto.

To have and to hold forever.

The Borrower for itself, its heirs, successors, and assigns, warrants the title to the aforesaid properties and assets against the lawful claims and demands against all persons whomsoever, and hereby covenants with the Government that it holds **a fee simple title to the above-described tracts of land**

and that it has good right and lawful authority to sell and convey the said premises.

Provides always, and these presents are upon the express condition that if the Borrower shall pay the Government, its successors or assigns, the sum of Three Hundred Forty-five Thousand and No Dollars according to the terms of certain installment promissory note(s) of the Borrower to wit:

40 year installment promissory note(s) of even date herewith
in the amount of \$ 345,000.00

bearing interest at the rate of 5 % per annum with final installment due on July 15, 2015.

said note(s) being payable to the order of the United States of America at the office of the Farmers Home Administration, United States Department of Agriculture in Madison County, Kentucky, and shall keep and perform all and singular the covenants and agreements herein contained for the Borrower to keep and perform, then these presents to be void, otherwise to remain in full force and effect, and to constitute a lien of the United States of America upon the granted premises and properties superior to all other liens heretofore or hereafter arising.

The covenants and agreements to be kept and performed are as follows:

1. The Borrower shall comply with all State laws and regulations applicable to the said business and shall pay all taxes, charges, and assessments, as the same may become due.
2. The Borrower shall continually operate and maintain the said business and any extensions thereof and additions thereto in good repair and condition. The Borrower shall pay from its own funds for any excess installation costs resulting from a failure to obtain adequate land, rights-of-way or subordinations.
3. The Borrower shall keep all agreements, pledges, and covenants, set out in the resolution of its Board of Directors of the 11 day of July, 1975, authorizing this mortgage and the installment promissory note(s) which it secures and will dispose of the funds described in said resolution only in the manner provided therein. The Borrower shall not alter, amend, modify, or repeal the said resolution, its articles of incorporation or bylaws, without written consent of the holder of said promissory note and of the Government so long as it is the holder or insurer of said promissory note(s).

4. The Borrower shall, at the requirements of the Government, make, convey, and deliver unto the Government such additional mortgages, deeds, and other security devices mortgaging its after-acquired real and personal property as the Government may require from time to time to further secure the aforementioned promissory note.
5. The Borrower shall use the loan evidenced by the said promissory note(s) solely for purposes authorized by the Government.
6. The Borrower shall keep the property insured as required by the Government and shall submit its insurance policies to the Government for approval.
7. The Borrower agrees that it shall pay promptly when due any indebtedness to the Government hereby secured and shall indemnify and save harmless the Government against any loss under its insurance endorsement by reason of any default by the first party. The Government, at its option, may at any time pay other amounts required herein to be paid by the Borrower and not paid by said Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien as advances for the amount of the Borrower and such advances shall bear interest at the note rate until paid to the Government. All such advances by the Government as described in this instrument, with interest, shall be immediately due and payable by the Borrower to the second party without demand, at the place designated in the note, and shall be secured hereby. No such advance of the Government shall relieve the Borrower of its breach of its covenant to pay. Such advance, with interest, shall be repaid from the first available collections received from the Borrower. Otherwise, any payment made by the Borrower may be applied on the note or any indebtedness of the second party secured hereby, in any order the Government determines.
8. The Borrower shall pay or reimburse the Government for any expenses reasonably necessary or incidental to the protection of its lien and

priority thereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplemental agreement (whether before or after default), including but not limited to costs of evidence, of title to and survey of the property, costs of recording this and other instruments, attorney's fees, trustee's fees, court costs, and expenses of advertising, selling and conveying the property.

9. The Borrower further agrees that no property herein described, any portion thereof or interest therein, shall be assigned, sold, transferred or encumbered, voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations and satisfactions, and no insured lender shall have any right, title, or interest in or to the lien of any benefits thereof.
10. The Borrower further agrees that if it should, at any time, fail to pay in part or installment of the principal of or interest accruing on the said promissory note when due, or fail to perform all and singular the covenants and agreements hereinbefore or hereinafter mentioned or referred to, the whole sum of money hereby secured shall become due and collectable at once, at the option of the Government, and this mortgage shall thereupon be foreclosed for the whole of said money, interest, and costs without further notice. No delay or omission to exercise any right or power accruing upon such default, shall impair or shall be construed to be a waiver of any such default or acquiescence therein.
11. The Borrower further agrees that in case of a foreclosure of this mortgage, or upon the filing of a petition of such foreclosure, a receiver shall be appointed to take charge of the business of the Borrower

and any and all extensions thereof and additions thereto at once, and to hold possession of and operate the same until the business is sold or until the debt is fully paid and all revenues and charges derived from the operation of said business, extensions and/or additions, less the costs and expenses of operation and maintenance and of the receivership, shall be applied ratably on the debts secured hereby. The taking of possession shall in no manner prevent or retard the Government in the collection of said sums by foreclosure or otherwise.

This instrument shall be subject to the present regulations of the Farmers Home Administration, and its future regulations not inconsistent with the express provisions hereof.

IN TESTIMONY WHEREOF, Kirksville Water Association, Inc., a corporation, of Madison County, Kentucky, has caused these presents to be executed in its corporate name by its President and sealed with its corporate seal, attested by its Secretary, all on the 15th day of July, 19 75.

(SEAL)

Kirksville Water Association Inc.
Name of Corporation

BY Otis Bundy
Otis Bundy, President

Attested:

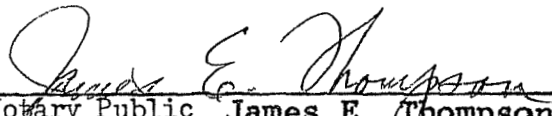
George W. Begley
George W. Begley, Secretary

State of KENTUCKY)
County of Madison)

Before me James E. Thompson, a Notary Public in and for said County and State, this 15th day of July, 19 75, personally appeared the Kirksville Water Association, Inc., by Otis Bundy, its President, and by George W. Begley, its Secretary, and acknowledged the execution of the foregoing instrument for the purposes set out therein.

Witness my hand and official seal.

(SEAL)


Notary Public James E. Thompson
State of Kentucky at Large

My commission expires:

October 18, 1976

~~_____~~
~~_____~~

THIS DOCUMENT PREPARED BY:
BURNAM AND THOMPSON
ATTORNEYS AT LAW
P. O. BOX 905
RICHMOND, KENTUCKY 40475
BY: James E. Thompson

NOTE: Type or print name of Officers and the name of Notary Public under their signatures.

STATE OF KENTUCKY }
COUNTY OF MADISON }

I, C. S. Wagers, Clerk of the Madison County Court do
certify that the foregoing Mortgage is a true and
correct copy of the original on record in Mortgage
Book 218, Page 381 records of the Madison County Clerk's Office.

WITNESS my hand this 15 day of July, 1925.

C. S. WAGERS, Clerk

By: Betty Olds

Thompson

USDA-FmHA
Form FmHA 427-1 KY
(Rev. 8-14-81)

REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by Kirksville Water Association, Inc.
a non-profit Kentucky corporation whose principal offices are located
in _____

residing in Madison County, Kentucky, whose post office
address is P. O. Box 670 Richmond, Kentucky 40475,
herein called "Borrower," and:

WHEREAS Borrower is indebted to the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, herein called the "Government," as evidenced by one or more promissory note(s) or assumption agreement(s), herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
September 25, 1989	\$635,000.00	6%	September 25, 2021
July 15, 1975	\$345,000.00	5%	July 15, 2015

The interest rate for limited resource farm ownership or limited resource operating loan(s) secured by this instrument will be increased after 3 years, as provided in the Farmers Home Administration regulations and the note.

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the payment thereof pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949 or any other statute administered by the Farmers Home Administration.

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but when the note is held by an insured holder this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity mortgage to secure the Government against loss under its insurance contract by reason of any default by Borrower.

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §1490a.

NOW, THEREFORE, in consideration of the loan(s) and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision for the payment of an insurance or other charge, (b) at all times when the note is held by an insured holder, to secure performance of Borrower's agreement herein to indemnify and save harmless the Government against loss under its insurance contract by reason of any default by Borrower, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby sell, convey, and assign, with general warranty, unto the Government the following property situated in the State of Kentucky,

County(ies) of Madison _____ :

Schedule "A" attached hereto as a part hereof:

RECEIVED
MARY FERRELL CENTER
SEP 25 12 39 PM '89
MADISON COUNTY
KENTUCKY

being the same (or part of the same) land conveyed*

together with all rights, interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and profits thereof and revenues and income therefrom, all improvements and personal property now or later attached thereto or reasonably necessary to the use thereof, including, but not limited to, ranges, refrigerators, clothes washers, clothes dryers, or carpeting purchased or financed in whole or in part with loan funds, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest therein-all of which are herein called "the property";

TO HAVE AND TO HOLD the property unto the Government and its assigns forever in fee simple.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS THE TITLE to the property to the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured and to indemnify and save harmless the Government against any loss under its insurance of payment of the note by reason of any default by Borrower. At all times when the note is held by an insured holder, Borrower shall continue to make payments on the note to the Government, as collection agent for the holder.

(2) To pay to the Government such fees and other charges as may now or hereafter be required by regulations of the Farmers Home Administration.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) Whether or not the note is insured by the Government, the Government may at any time pay any other amounts required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments, encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe, and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

SCHEDULE "A"

TRACT A

A certain tract of land situated on the east side of Maple Grove Road approximately 1500 feet north of Newby Road in Madison County, Kentucky, bounded and described as follows:

Beginning at an iron pin in the east fence line of Maple Grove Road, said iron pin being S22°-04'-31"E 295.48 feet from the corner post at the south west corner of Carl Million, a new corner to Mrs. Noland Bogie, thence leaving said fence, a new line with Mrs. Bogie, N66°-50'-00"E 100.0 feet to an iron pin and new corner with Mrs. Bogie, thence continuing a new line with Mrs. Bogie S20°-33'-44"E 100.0 feet to an iron pin, thence S66-50'-00"W 100.00 feet to an iron pin in the east fence line of Maple Grove Road, a corner, thence with said fence N20°-33'-44"W 100.0 feet to the beginning containing 0.229 acres.

Being the same property conveyed to Borrower by deed from Floy B. Bogie, single, dated February 10, 1989 recorded in the Madison County Clerk's Office in Deed Book 400 at page 121, reference to which is hereby made.

TRACT B

A certain tract of land, located on the north right of way line of Spurlock Drive (Spring Lake Subdivision) approximately 200 feet east of Kentucky Highway 595 in Kirksville, Madison County, Kentucky and being bounded by survey made July 15, 1974 by Charles E. Black, a licensed land surveyor (L.S. 670) and further described as follows:

Beginning at a steel pin in the north line of Spurlock Drive said pin being located S 81° 39' 40" W 277.80 feet from the west line of lot 36; thence with said right of way line S 81° 39' 40" W 40.00 feet to a steel pin; thence leaving said right of way line on new lines dividing the lands of Spurlock 3 calls, N 08° 20' 20" W 40.00 feet to a steel pin; thence N 81° 39' 40" E 40.00 feet to a steel pin; thence S 08° 20' 20" E 40.00 feet to a steel pin in the north right of way line and point of beginning and containing .037 acres.

Being the same property conveyed to Borrower by deed from Eugene W. Spurlock, Jr. et ux, dated April 29, 1975 recorded in the Madison County Clerk's Office in Deed Book 284 at page 225, reference to which is hereby made.

Tract B above is subject to a first mortgage lien to the United States of America (Farmers Home Administration) dated July 15, 1975 recorded in the Madison County Clerk's Office in Mortgage Book 218 at page 581, reference to which is hereby made.

- (10) To comply with all laws, ordinances, and regulations affecting the property.
- (11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments, attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property.
- (12) Neither the property nor any portion thereof or interest therein shall be leased, assigned, sold, transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.
- (13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.
- (14) The Government may (a) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (b) release any party who is liable under the note or for the debt from liability to the Government, (c) release portions of the property and subordinate its lien, and (d) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government--whether once or often--in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.
- (15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.
- (16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held or insured by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.
- (17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, a bankrupt, or an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.
- (18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to or insured by the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to or insured by the Government, in the order prescribed above.
- (19) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.
- (20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex or national origin.
- (21) This instrument shall be subject to the present regulations of the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.
- (22) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, addressed, unless and until some other address is designated in a notice so given, in the case of the Government to Farmers Home Administration at 333 Waller Avenue, Lexington, Kentucky 40504, and in the case of Borrower at the address shown in the Farmers Home Administration Finance Office records (which normally will be the same as the post office address shown above).

(23) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

Given under the hand(s) and seal(s) of Borrower this 25 day of September, 1989.

ATTESTED: George R. Begley
George R. Begley
Secretary

Kirksville Water Association, Inc.
Kirksville Water Association, Inc. (SEAL)
BY: Otis Bundy
Otis Bundy, President (SEAL)

STATE OF KENTUCKY

COUNTY OF Madison } ss:

Before me, James E. Thompson, a Notary Public in and for the County of Madison personally appeared Otis Bundy, President, and George R. Begley, Secretary of Kirksville Water Association, Inc., his wife, who acknowledged that they executed the foregoing instrument on ~~the~~ behalf of said corporate borrower, on ~~day of~~ September 25, 1989, as ~~their~~ the free act and deed of said corporation.

WITNESS my hand and official seal this 25 day of September, 1989.
(SEAL) James E. Thompson Notary Public
My commission expires: October 15, 1992 State at Large

PREPARER'S STATEMENT

The form of this instrument was drafted by the Office of the General Counsel of the United States Department of Agriculture, and the material in the blank spaces in the form was inserted by or under the direction of

James E. Thompson (name),
P. O. Box 726, Richmond, Kentucky 40475 (address)
James E. Thompson (Signature)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY }
COUNTY OF Madison } ss:

I, Mary Jane Ginter, Clerk of the County Court for the County aforesaid, do certify that the foregoing mortgage was on the 25 day of September, 1989, lodged for record at o'clock M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this 25 day of September, 1989.
Mary Jane Ginter
Clerk of Madison County Court
By Carol Grant, D.C.