

# Rubin & Hays

ATTORNEYS AT LAW

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

October 21, 2010

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

2010-00411

RECEIVED

OCT 25 2010

PUBLIC SERVICE  
COMMISSION

Re: Judy Water Association, Inc. PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Judy 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:jl  
Enclosures

cc: Mr. Billy Ray Fawns, Judy Water Association, Inc.  
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

OCT 25 2010

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE JUDY )  
WATER ASSOCIATION, INC., TO )  
ISSUE SECURITIES IN THE APPROX- )  
MATE PRINCIPAL AMOUNT OF \$1,655,000 )  
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 - 00411

\*\* \*\*\* \*\*\*\*\* \*\*

APPLICATION

The Applicant, Judy 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 \$1,655,000 (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 Montgomery 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:

Judy Water Association, Inc.  
c/o Mr. Greg Williamson, President  
P.O. Box 781  
Mt. Sterling, Kentucky 40353  
Telephone: (859) 498-4809

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 Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to a Loan Agreement (the "KRWFC Loan"), in the estimated principal amount of \$1,655,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Judy Water Association Promissory Note, dated October 19, 1990, in the original principal amount of \$647,000, bearing interest at the rate of 5.00% per annum (the "1990 Note"), currently held the United States Department of Agriculture, acting through Rural Development ("RD"); and (ii) Judy Water Association Promissory Note, dated June 14, 2000, in the original principal amount of \$1,237,000, bearing interest at the rate of 5.00% per annum (the "2000 Note"), currently held by RD (the 1990 Note and the 2000 Note being hereinafter collectively referred to as the "Prior Loans").

6. The estimated debt service for the KRWFC 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 KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The KRWFC 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 KRWFC Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the KRWFC 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 \$145,414.71. 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 KRWFC Loan may be adjusted, based upon the final interest rate as of closing of the proposed KRWFC 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 KRWFC 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 KRWFC 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 KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the KRWFC Loan, the price paid, the costs and expenses incurred in the issuance of the KRWFC Loan, and the final terms and interest rates of the KRWFC 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 KRWFC 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 KRWFC 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:

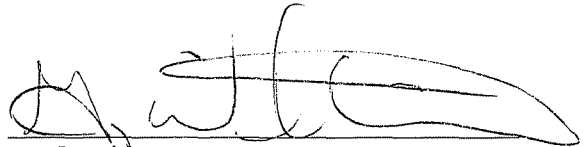
1. Authorize the issuance of the securities requested in the Application prior to the estimated closing date of **December 2, 2010**;

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.

Judy Water Association, Inc.

By 

President  
P.O. Box 781  
Mt. Sterling, Kentucky 40353  
Phone: (859) 498-4809

Rubin & Hays

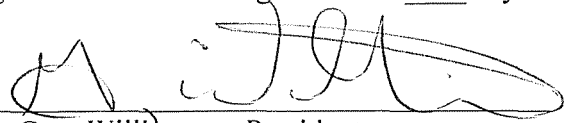
By 

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

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF MONTGOMERY    )

The affiant, Greg Williamson, being first duly sworn, states: That he is the President of the Judy 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 18<sup>th</sup> day of October, 2010.

  
\_\_\_\_\_  
Greg Williamson, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Greg Williamson, President of the Judy Water Association, Inc., on this the 18<sup>th</sup> day of October, 2010.

My Commission expires: Nov. 13<sup>th</sup> 2012.

  
\_\_\_\_\_  
NOTARY PUBLIC





021  
Articles of Incorporation  
bylaws  
Rules & Regulations  
(2)

ARTICLES OF INCORPORATION OF JUDY WATER  
ASSOCIATION, INC., A NON-PROFIT CORPORATION

This corporation is organized as a non-profit non-stock corporation under the provisions of Chapter 273 of the Kentucky Revised Statutes.

ARTICLE I

NAME

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

ARTICLE II

REGISTERED OFFICE AND AGENT

*new part sale*  
The registered office of the corporation shall be c/o Gary G. Jetton, R. R. 3, Mt. Sterling, County of Montgomery, State of Kentucky; the registered agent at such address is Gary G. Jetton.

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.

(Page 2)

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

This 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 director shall be elected for a term of one year; two directors shall be elected for a term of two years; and two directors shall be elected for a term of three years. Thereafter directors shall be elected for terms of three years. Until the first annual election of directors of the corporation, the Board of Directors shall consist of three members.

2. The Board of Directors shall fill vacancies occurring in its own membership by appointment of qualified members to hold office

(Page 3)

until the next annual meeting 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>
Gary G. Jetton,	R. R. 3, Mt. Sterling, Ky 40353
Archie Otis,	119 Harrison Ave., Mt. Sterling, Ky 40353
Allen Bailey,	R. R. 3, Mt. Sterling, Ky 40353

and the following persons shall be officers:

President	Gary G. Jetton,	R. R. 3, Mt. Sterling, Ky 40353
Vice President	Archie Otis,	119 Harrison Ave., Mt. Sterling, Ky 40353
Secretary	Allen Bailey,	R. R. 3, Mt. Sterling, Ky 40353
Treasurer	Gary G. Jetton,	R. R. 3, Mt. Sterling, Ky 40353

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 by 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

(Page 4)

may properly come before it at such time, shall be held on the second Monday in November of each year at the time and place specified by the Board of Directors.

*Amended*

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 meeting shall be called by him at any time upon written demand of the majority of the directors, or of any ten (10) 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 I

INCORPORATORS

The names and addresses of the incorporators are:

<u>NAME</u>	<u>ADDRESS</u>
Gary G. Jetton,	R. R. 3, Mt. Sterling, Ky 40353
Archie Otis,	119 Harrison Ave., Mt. Sterling, Ky 40353
Allen Bailey,	R. R. 3, Mt. Sterling, Ky 40353

ARTICLE XI

BY-LAWS

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

(Page 5)

IN WITNESS WHEREOF, we have hereunto subscribed our names this 23 day of February, 1972.

Gary G. Jetton  
Archie Otis  
Allen Bailey

Prepared by:

JOHN C. WATKINS  
ATTORNEY AT LAW, BOX 285,  
MT. STERLING, KY 40353

STATE OF KENTUCKY  
SCT  
COUNTY OF MONTGOMERY

The foregoing instrument was acknowledged before me this 23 day of February, 1972, by Gary G. Jetton, Archie Otis, and Allen Bailey.

JOHN C. WATKINS  
NOTARY PUBLIC,  
KENTUCKY STATE-AT-LARGE

My Commission expires 10 August, 1975.

ORIGINAL COPY  
FILED AND RECORDED  
SECRETARY OF STATE OF KENTUCKY  
(FRANKFORT, KENTUCKY)

COMMONWEALTH OF KENTUCKY  
MAR 6 1972

Phyllis D. Howell  
John C. Watkins

NOTARY PUBLIC

NOTARY PUBLIC

NOTARY PUBLIC

1972

IN WITNESS WHEREOF, we have hereunto subscribed our names this

21 day of Mar, 1972.

*[Handwritten signatures]*

RECORDED  
MONTGOMERY COUNTY CLERK

CLERK OF COURT  
MONTGOMERY COUNTY

3/21/72  
Book 4  
Page 363

The foregoing instrument was acknowledged before me this

day of Mar, 1972, by Gray A. Weston, Archie Cole, and

Allen Bailey.

MONTGOMERY COUNTY CLERK  
12-2-1972

Instrument expires in 1975.

ORIGINAL COPY  
FILED AND RECORDED  
SECRETARY OF STATE OF KENTUCKY

STATE OF KENTUCKY  
CLERK OF COURT  
MONTGOMERY COUNTY

*[Signature]*  
I, Gray A. Weston, Archie Cole, and Allen Bailey, hereby certify that the foregoing instrument was on 21 day of Mar, 1972

deposited for record in my office, whereupon the same with this and the foregoing certificate have been duly recorded.

Witness my hand this 21 day of Mar, 1972.

*[Signature]* Clerk





**\$1,655,000**

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

**Total Net Debt Service**

Date	Principal	Interest	Expenses	Net New D/S
12/30/2010	-	-	-	-
12/30/2011	60,000.00	44,493.94	450.00	104,943.94
12/30/2012	45,000.00	58,225.26	450.00	103,675.26
12/30/2013	45,000.00	57,212.76	450.00	102,662.76
12/30/2014	45,000.00	56,200.26	450.00	101,650.26
12/30/2015	50,000.00	55,187.76	450.00	105,637.76
12/30/2016	50,000.00	54,062.76	450.00	104,512.76
12/30/2017	50,000.00	52,937.76	450.00	103,387.76
12/30/2018	50,000.00	51,687.76	450.00	102,137.76
12/30/2019	50,000.00	50,312.76	450.00	100,762.76
12/30/2020	55,000.00	48,812.76	450.00	104,262.76
12/30/2021	55,000.00	47,025.26	450.00	102,475.26
12/30/2022	55,000.00	45,237.76	450.00	100,687.76
12/30/2023	60,000.00	43,312.76	450.00	103,762.76
12/30/2024	60,000.00	41,212.76	450.00	101,662.76
12/30/2025	65,000.00	39,034.76	450.00	104,484.76
12/30/2026	65,000.00	36,597.26	450.00	102,047.26
12/30/2027	70,000.00	34,159.76	450.00	104,609.76
12/30/2028	70,000.00	31,443.76	450.00	101,893.76
12/30/2029	75,000.00	28,643.76	450.00	104,093.76
12/30/2030	75,000.00	25,643.76	450.00	101,093.76
12/30/2031	40,000.00	22,456.26	450.00	62,906.26
12/30/2032	45,000.00	20,756.26	450.00	66,206.26
12/30/2033	45,000.00	18,843.76	450.00	64,293.76
12/30/2034	45,000.00	16,875.00	450.00	62,325.00
12/30/2035	50,000.00	14,850.00	450.00	65,300.00
12/30/2036	50,000.00	12,600.00	450.00	63,050.00
12/30/2037	55,000.00	10,350.00	450.00	65,800.00
12/30/2038	55,000.00	7,875.00	450.00	63,325.00
12/30/2039	60,000.00	5,400.00	450.00	65,850.00
12/30/2040	60,000.00	2,700.00	450.00	63,150.00
<b>Total</b>	<b>\$1,655,000.00</b>	<b>\$1,034,151.66</b>	<b>\$13,500.00</b>	<b>\$2,702,651.66</b>

**Par Amounts Of Selected Issues**

WATER ASSOCIATIONS -Judy Water Association.....	1,635,000.00
WATER ASSOCIATIONS -Judy WA Taxable.....	20,000.00
<b>TOTAL.....</b>	<b>1,655,000.00</b>

**\$1,655,000**

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

**Pricing Summary**

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
08/01/2011	Serial Coupon	2.250%	1.150%	40,000.00	100.818%	40,327.20
08/01/2012	Serial Coupon	2.250%	1.300%	45,000.00	101.637%	45,736.65
08/01/2013	Serial Coupon	2.250%	1.470%	45,000.00	102.093%	45,941.85
08/01/2014	Serial Coupon	2.250%	1.710%	45,000.00	101.952%	45,878.40
08/01/2015	Serial Coupon	2.250%	2.050%	50,000.00	100.899%	50,449.50
08/01/2016	Serial Coupon	2.250%	2.300%	50,000.00	99.730%	49,865.00
08/01/2017	Serial Coupon	2.500%	2.600%	50,000.00	99.382%	49,691.00
08/01/2018	Serial Coupon	2.750%	2.840%	50,000.00	99.375%	49,687.50
08/01/2019	Serial Coupon	3.000%	3.050%	50,000.00	99.615%	49,807.50
08/01/2020	Serial Coupon	3.250%	3.220%	55,000.00	100.246%	55,135.30
08/01/2021	Serial Coupon	3.250%	3.340%	55,000.00	99.189%	54,553.95
08/01/2022	Serial Coupon	3.500%	3.460%	55,000.00	100.379%	55,208.45
08/01/2023	Serial Coupon	3.500%	3.540%	60,000.00	99.588%	59,752.80
08/01/2024	Serial Coupon	3.630%	3.600%	60,000.00	100.319%	60,191.40
08/01/2025	Serial Coupon	3.750%	3.670%	65,000.00	100.900%	65,585.00
08/01/2026	Serial Coupon	3.750%	3.750%	65,000.00	100.000%	65,000.00
08/01/2027	Serial Coupon	3.880%	3.840%	70,000.00	100.486%	70,340.20
08/01/2028	Serial Coupon	4.000%	3.930%	70,000.00	100.883%	70,618.10
08/01/2029	Serial Coupon	4.000%	4.030%	75,000.00	99.602%	74,701.50
08/01/2030	Serial Coupon	4.250%	4.130%	75,000.00	101.604%	76,203.00
08/01/2031	Serial Coupon	4.250%	4.220%	40,000.00	100.406%	40,162.40
08/01/2032	Serial Coupon	4.250%	4.300%	45,000.00	99.292%	44,681.40
08/01/2033	Serial Coupon	4.375%	4.380%	45,000.00	99.922%	44,964.90
08/01/2034	Serial Coupon	4.500%	4.470%	45,000.00	100.430%	45,193.50
08/01/2035	Serial Coupon	4.500%	4.470%	50,000.00	100.440%	50,220.00
08/01/2036	Serial Coupon	4.500%	4.470%	50,000.00	100.449%	50,224.50
08/01/2037	Serial Coupon	4.500%	4.470%	55,000.00	100.459%	55,252.45
08/01/2038	Serial Coupon	4.500%	4.470%	55,000.00	100.468%	55,257.40
08/01/2039	Serial Coupon	4.500%	4.470%	60,000.00	100.476%	60,285.60
08/01/2040	Serial Coupon	4.500%	4.470%	60,000.00	100.484%	60,290.40
<b>Total</b>	-	-	-	<b>\$1,635,000.00</b>	-	<b>\$1,641,206.85</b>

**Bid Information**

Par Amount of Bonds.....	\$1,635,000.00
Reoffering Premium or (Discount).....	6,206.85
Gross Production.....	\$1,641,206.85
Total Underwriter's Discount (1.050%).....	\$(17,167.50)
Bid (99.330%).....	1,624,039.35
Total Purchase Price.....	\$1,624,039.35
Bond Year Dollars.....	\$25,671.25
Average Life.....	15.701 Years
Average Coupon.....	4.0278586%
Net Interest Cost (NIC).....	4.0705548%
True Interest Cost (TIC).....	4.0172966%

9/23/2010 | 12:46 PM



**\$1,655,000**

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

**Sources & Uses**

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

**Sources Of Funds**

Par Amount of Bonds.....	\$1,655,000.00
Reoffering Premium.....	6,206.85
Transfers from Prior Issue Debt Service Funds.....	32,524.85
<b>Total Sources.....</b>	<b>\$1,693,731.70</b>

**Uses Of Funds**

Total Underwriter's Discount.....	17,271.50
Costs of Issuance.....	28,980.00
Deposit to Current Refunding Fund.....	1,644,056.78
Rounding Amount.....	3,423.42
<b>Total Uses.....</b>	<b>\$1,693,731.70</b>



**\$1,655,000**

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

**Debt Service Comparison**

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2010	-	-	-	44,747.28	44,747.28
12/30/2011	104,493.94	450.00	104,943.94	111,691.12	6,747.18
12/30/2012	103,225.26	450.00	103,675.26	111,690.92	8,015.66
12/30/2013	102,212.76	450.00	102,662.76	111,691.16	9,028.40
12/30/2014	101,200.26	450.00	101,650.26	111,690.90	10,040.64
12/30/2015	105,187.76	450.00	105,637.76	111,692.06	6,054.30
12/30/2016	104,062.76	450.00	104,512.76	111,691.22	7,178.46
12/30/2017	102,937.76	450.00	103,387.76	111,691.92	8,304.16
12/30/2018	101,687.76	450.00	102,137.76	111,691.30	9,553.54
12/30/2019	100,312.76	450.00	100,762.76	111,691.46	10,928.70
12/30/2020	103,812.76	450.00	104,262.76	111,691.06	7,428.30
12/30/2021	102,025.26	450.00	102,475.26	111,691.60	9,216.34
12/30/2022	100,237.76	450.00	100,687.76	111,691.26	11,003.50
12/30/2023	103,312.76	450.00	103,762.76	111,690.96	7,928.20
12/30/2024	101,212.76	450.00	101,662.76	111,692.30	10,029.54
12/30/2025	104,034.76	450.00	104,484.76	111,691.50	7,206.74
12/30/2026	101,597.26	450.00	102,047.26	111,691.62	9,644.36
12/30/2027	104,159.76	450.00	104,609.76	111,691.16	7,081.40
12/30/2028	101,443.76	450.00	101,893.76	111,691.42	9,797.66
12/30/2029	103,643.76	450.00	104,093.76	111,691.16	7,597.40
12/30/2030	100,643.76	450.00	101,093.76	111,690.86	10,597.10
12/30/2031	62,456.26	450.00	62,906.26	73,334.50	10,428.24
12/30/2032	65,756.26	450.00	66,206.26	73,334.46	7,128.20
12/30/2033	63,843.76	450.00	64,293.76	73,334.86	9,041.10
12/30/2034	61,875.00	450.00	62,325.00	73,334.06	11,009.06
12/30/2035	64,850.00	450.00	65,300.00	73,334.20	8,034.20
12/30/2036	62,600.00	450.00	63,050.00	73,335.06	10,285.06
12/30/2037	65,350.00	450.00	65,800.00	73,335.06	7,535.06
12/30/2038	62,875.00	450.00	63,325.00	73,334.40	10,009.40
12/30/2039	65,400.00	450.00	65,850.00	73,334.96	7,484.96
12/30/2040	62,700.00	450.00	63,150.00	73,334.10	10,184.10
<b>Total</b>	<b>\$2,689,151.66</b>	<b>\$13,500.00</b>	<b>\$2,702,651.66</b>	<b>\$3,011,919.90</b>	<b>\$309,268.24</b>

Sinking Fund Transfer	(32,524.85)
Rounding Amount	3,423.42
Total Net FV Benefit	<u>280,166.81</u>

**PV Analysis Summary (Net to Net)**

Gross PV Debt Service Savings.....	182,302.60
Effects of changes in Expenses.....	(7,786.46)
Net PV Cashflow Savings @ 4.036%(AIC).....	174,516.14
Transfers from Prior Issue Debt Service Fund.....	(32,524.85)
Contingency or Rounding Amount.....	3,423.42
Net Present Value Benefit.....	\$145,414.71
Net PV Benefit / \$1,621,502 Refunded Principal.....	8.968%
Net PV Benefit / \$1,655,000 Refunding Principal.....	8.786%

**Refunding Bond Information**

Refunding Dated Date.....	
Refunding Delivery Date.....	11/01/2010
<i>9/23/2010   12:46 PM</i>	



**\$647,000**  
*Judy Water Association*  
*Series 1990*

**Total Refunded Debt Service**

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	14,456.00	5.000%	23,900.56	38,356.56
12/30/2012	15,179.00	5.000%	23,177.76	38,356.76
12/30/2013	15,938.00	5.000%	22,418.80	38,356.80
12/30/2014	16,735.00	5.000%	21,621.90	38,356.90
12/30/2015	17,572.00	5.000%	20,785.16	38,357.16
12/30/2016	18,450.00	5.000%	19,906.56	38,356.56
12/30/2017	19,373.00	5.000%	18,984.06	38,357.06
12/30/2018	20,341.00	5.000%	18,015.40	38,356.40
12/30/2019	21,359.00	5.000%	16,998.36	38,357.36
12/30/2020	22,426.00	5.000%	15,930.40	38,356.40
12/30/2021	23,548.00	5.000%	14,809.10	38,357.10
12/30/2022	24,725.00	5.000%	13,631.70	38,356.70
12/30/2023	25,961.00	5.000%	12,395.46	38,356.46
12/30/2024	27,260.00	5.000%	11,097.40	38,357.40
12/30/2025	28,623.00	5.000%	9,734.40	38,357.40
12/30/2026	30,054.00	5.000%	8,303.26	38,357.26
12/30/2027	31,556.00	5.000%	6,800.56	38,356.56
12/30/2028	33,134.00	5.000%	5,222.76	38,356.76
12/30/2029	34,791.00	5.000%	3,566.06	38,357.06
12/30/2030	36,530.00	5.000%	1,826.50	38,356.50
<b>Total</b>	<b>\$478,011.00</b>	<b>-</b>	<b>\$289,126.16</b>	<b>\$767,137.16</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	12.064 Years
Average Coupon.....	5.0000019%
Weighted Average Maturity (Par Basis).....	12.064 Years

**Refunding Bond Information**

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



**\$1,237,000**  
*Judy Water Association*  
*Series 2000*

**Total Refunded Debt Service**

Date	Principal	Coupon	Interest	Total P+I
12/30/2010	16,160.00	5.000%	28,587.28	44,747.28
12/30/2011	16,968.00	5.000%	56,366.56	73,334.56
12/30/2012	17,816.00	5.000%	55,518.16	73,334.16
12/30/2013	18,707.00	5.000%	54,627.36	73,334.36
12/30/2014	19,642.00	5.000%	53,692.00	73,334.00
12/30/2015	20,625.00	5.000%	52,709.90	73,334.90
12/30/2016	21,656.00	5.000%	51,678.66	73,334.66
12/30/2017	22,739.00	5.000%	50,595.86	73,334.86
12/30/2018	23,876.00	5.000%	49,458.90	73,334.90
12/30/2019	25,069.00	5.000%	48,265.10	73,334.10
12/30/2020	26,323.00	5.000%	47,011.66	73,334.66
12/30/2021	27,639.00	5.000%	45,695.50	73,334.50
12/30/2022	29,021.00	5.000%	44,313.56	73,334.56
12/30/2023	30,472.00	5.000%	42,862.50	73,334.50
12/30/2024	31,996.00	5.000%	41,338.90	73,334.90
12/30/2025	33,595.00	5.000%	39,739.10	73,334.10
12/30/2026	35,275.00	5.000%	38,059.36	73,334.36
12/30/2027	37,039.00	5.000%	36,295.60	73,334.60
12/30/2028	38,891.00	5.000%	34,443.66	73,334.66
12/30/2029	40,835.00	5.000%	32,499.10	73,334.10
12/30/2030	42,877.00	5.000%	30,457.36	73,334.36
12/30/2031	45,021.00	5.000%	28,313.50	73,334.50
12/30/2032	47,272.00	5.000%	26,062.46	73,334.46
12/30/2033	49,636.00	5.000%	23,698.86	73,334.86
12/30/2034	52,117.00	5.000%	21,217.06	73,334.06
12/30/2035	54,723.00	5.000%	18,611.20	73,334.20
12/30/2036	57,460.00	5.000%	15,875.06	73,335.06
12/30/2037	60,333.00	5.000%	13,002.06	73,335.06
12/30/2038	63,349.00	5.000%	9,985.40	73,334.40
12/30/2039	66,517.00	5.000%	6,817.96	73,334.96
12/30/2040	69,842.00	5.000%	3,492.10	73,334.10
<b>Total</b>	<b>\$1,143,491.00</b>	<b>-</b>	<b>\$1,101,291.74</b>	<b>\$2,244,782.74</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	18.881 Years
Average Coupon.....	5.0000007%
Weighted Average Maturity (Par Basis).....	18.881 Years

**Refunding Bond Information**

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

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

<b>ASSETS</b>		<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	660,188	\$ 586,941
Unbilled water revenue		34,706	38,413
Accounts receivable, net of allowance for doubtful accounts of \$1,751 and \$1,753 in 2009 and 2008		72,910	72,071
Accrued interest receivable		224	1,047
Prepaid expenses and other current assets		<u>6,152</u>	<u>4,703</u>
<b>TOTAL CURRENT ASSETS</b>		<u>774,180</u>	<u>703,175</u>
<b>TEMPORARILY RESTRICTED ASSETS</b>			
Cash - reserve accounts		<u>430,158</u>	<u>377,413</u>
<b>PROPERTY AND EQUIPMENT</b>			
Water system		8,642,685	8,613,620
Building		148,415	148,415
Vehicles		66,669	66,669
Land		76,500	76,500
Equipment		<u>46,313</u>	<u>42,675</u>
		8,980,582	8,947,879
Less accumulated depreciation		<u>(2,396,809)</u>	<u>(2,097,105)</u>
Net property and equipment		<u>6,583,773</u>	<u>6,850,774</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<u><b>7,788,111</b></u>	<b>\$</b> <u><b>7,931,362</b></u>

The accompanying notes are an integral part of the financial statements.  
Page 2

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

**LIABILITIES AND NET ASSETS**

	2009	2008
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 35,075	\$ 31,813
Taxes and benefits payable	10,567	9,827
Water deposits payable	7,757	7,865
Accrued interest payable	67,037	67,528
Current portion of long-term debt	41,275	39,766
<b>TOTAL CURRENT LIABILITIES</b>	<b>161,711</b>	<b>156,799</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	2,520,313	2,563,819
<b>TOTAL LIABILITIES</b>	<b>2,682,024</b>	<b>2,720,618</b>
<b>NET ASSETS</b>		
Unrestricted net assets	(908,768)	(729,916)
Temporarily restricted net assets	430,158	377,413
Contributed capital	5,584,697	5,563,247
<b>TOTAL NET ASSETS</b>	<b>5,106,087</b>	<b>5,210,744</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 7,788,111</b>	 <b>\$ 7,931,362</b>

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

	<u>2009</u>	<u>2008</u>
<b>OPERATING INCREASES IN UNRESTRICTED</b>		
<b>NET ASSETS</b>		
Water sales	\$ 1,099,048	\$ 1,183,428
Miscellaneous income	1,870	4,570
	<u>1,100,918</u>	<u>1,187,998</u>
<b>OPERATING DECREASES IN UNRESTRICTED</b>		
<b>NET ASSETS</b>		
Water purchased	367,509	380,555
Supplies	32,011	33,829
Salaries and payroll taxes	247,104	223,423
Retirement	26,856	24,500
Contract labor	9,507	12,767
Directors fees	19,500	19,500
Office supplies	12,589	7,449
Data processing fees	5,932	6,998
Testing	1,535	4,892
Insurance	37,124	34,125
Telephone and utilities	16,175	15,500
Professional services	10,050	10,397
General expense	5,827	5,614
Regulation expense	1,827	1,781
Repairs and maintenance	16,296	29,776
Meals and entertainment	9,235	10,676
Bad debt and leak adjustments	0	866
Postage	7,311	7,391
	<u>826,388</u>	<u>830,039</u>
<b>TOTAL OPERATING DECREASES IN UNRESTRICTED</b>		
<b>NET ASSETS</b>		
	<u>826,388</u>	<u>830,039</u>
<b>OPERATING INCREASE IN UNRESTRICTED</b>		
<b>NET ASSETS BEFORE DEPRECIATION</b>		
	274,530	357,959
Depreciation	<u>(299,704)</u>	<u>(298,254)</u>
<b>OPERATING (DECREASE) INCREASE IN UNRESTRICTED</b>		
<b>NET ASSETS</b>		
	<u>(25,174)</u>	<u>59,705</u>
<b>NONOPERATING INCREASES (DECREASES) IN</b>		
<b>UNRESTRICTED NET ASSETS</b>		
Gain (loss) on disposal of assets	0	2,290
Interest income	23,092	28,657
Interest expense	<u>(124,025)</u>	<u>(125,991)</u>
	<u>(100,933)</u>	<u>(95,044)</u>
<b>NET DECREASE IN</b>		
<b>UNRESTRICTED NET ASSETS</b>		
	<u>\$ (126,107)</u>	<u>\$ (35,339)</u>

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

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

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Contributed Capital Members</u>	<u>Contributed Capital Rural Development</u>	<u>Contributed Capital Bourbon Co. Project</u>
<b>Balances, January 1, 2008</b>	<b>\$ (651,867)</b>	<b>\$ 334,703</b>	<b>\$ 894,552</b>	<b>\$ 1,002,300</b>	<b>\$ 364,600</b>
Net change in unrestricted net assets	(35,339)				
Transfer to temporarily restricted net assets	(42,710)	42,710			
Contributions	-	-	28,300	-	114,463
<b>Balances, December 31, 2008</b>	<b>(729,916)</b>	<b>377,413</b>	<b>922,852</b>	<b>1,002,300</b>	<b>479,063</b>
Net change in unrestricted net assets	(126,107)				
Transfer to temporarily restricted net assets	(52,745)	52,745			
Contributions	-	-	11,450	-	-
<b>Balances, December 31, 2009</b>	<b>\$ (908,768)</b>	<b>\$ 430,158</b>	<b>\$ 934,302</b>	<b>\$ 1,002,300</b>	<b>\$ 479,063</b>

The accompanying notes are an integral part of the financial statements

Contributed Capital Montgomery Co. Fiscal Court	CDBG Grant Bourbon Co. Project	KIA Radio Read/Hydrant Grants	Grants Bourbon Co. Project	Tobacco Grant Tank Project	Tobacco Grant	Total
\$ 90,000	\$ 1,000,000	\$ 150,000	\$ 1,434,032	\$ 424,566	\$ 50,000	\$ 5,092,886
						(35,339)
-	-	-	-	10,434	-	153,197
90,000	1,000,000	150,000	1,434,032	435,000	50,000	5,210,744
						(126,107)
10,000	-	-	-	-	-	21,450
<u>\$ 100,000</u>	<u>\$ 1,000,000</u>	<u>\$ 150,000</u>	<u>\$ 1,434,032</u>	<u>\$ 435,000</u>	<u>\$ 50,000</u>	<u>\$ 5,106,087</u>

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

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating (decrease) increase in unrestricted net assets	\$ (25,174)	\$ 59,705
Adjustments to reconcile operating increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation expense	299,704	298,254
Changes in operating assets and liabilities:		
Accounts receivable	(839)	(4,085)
Unbilled water revenue	3,707	(5,723)
Prepaid expenses and other current assets	(1,449)	(121)
Accounts payable	3,262	(2,886)
Taxes and benefits payable	740	367
Water deposits payable	(108)	(900)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>279,843</u>	<u>344,611</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(32,703)	(315,264)
Proceeds from sale of fixed assets	-	9,000
Interest paid on RD loans	(124,516)	(127,941)
Principal payments on borrowings	(41,997)	(38,573)
Proceeds from tap-on fees	11,450	28,300
Proceeds from grants	10,000	124,897
<b>CASH USED FOR FINANCING ACTIVITIES</b>	<u>(177,766)</u>	<u>(319,581)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received	23,915	28,597
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>23,915</u>	<u>28,597</u>
<b>NET INCREASE IN CASH</b>	125,992	53,627
<b>CASH AT BEGINNING OF YEAR</b>	<u>964,354</u>	<u>910,727</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,090,346</u>	<u>\$ 964,354</u>
<b>CASH CONSISTS OF:</b>		
Cash - unrestricted	\$ 660,188	\$ 586,941
Cash - temporarily restricted	430,158	377,413
	<u>\$ 1,090,346</u>	<u>\$ 964,354</u>

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

Page 7





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Position 5

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

18-00

**REAL ESTATE MORTGAGE FOR KENTUCKY**

THIS MORTGAGE is made and entered into by JUDY WATER ASSOCIATION, INC. residing in MONTGOMERY County, Kentucky, whose post office address is P. O. Box 781 Mt. Sterling, Kentucky 40353, 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 call the "Government," as evidenced by one or more promissory note(s) or assumption agreement(s) or any shared appreciation or recapture agreement, herein call "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>
October 19, 1990	\$ 647,000.00	5.00%	October 19, 2030
July 25, 1995	\$ 198,000.00	4.50%	July 25, 2035
June 14, 2000	\$1,237,000.00	5.00%	June 14, 2040
June 14, 2000	\$ 100,000.00	5.875%	June 14, 2040

(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. 1490 a, 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, and with general warranty, unto the Government the following property situated in the State of Kentucky, County(ies) of BOURBON:

WATER TOWER SITE - C

A certain tract or parcel of land lying and being on

Return to preparer

18.50

REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by JUDY WATER ASSOCIATION, INC.

residing in Montgomery County, Kentucky, whose post office address is 5031 Maysville Road, Mt. Sterling, Kentucky 40353 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>
July 25, 1995	\$198,000.00	4.50%	July 25, 2035
October 19, 1990	\$647,000.00	5.00%	October 19, 2030

(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 Montgomery

See attached continuation of Mortgage from Judy Water Association, Inc. to United States of America, Acting by and Through the U.S. Department of Agriculture dated July 25, 1995, which is attached hereto and made a part hereof by reference.

5143

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

000014 11 21 9

**REAL ESTATE MORTGAGE FOR KENTUCKY**

THIS MORTGAGE is made and entered into by JUDY WATER ASSOCIATION, INC. residing in MONTGOMERY County, Kentucky, whose post office address is P. O. Box 781, Mt. Sterling, Kentucky 40353, 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 call the "Government," as evidenced by one or more promissory note(s) or assumption agreement(s) or any shared appreciation or recapture agreement, herein call "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>
October 19, 1990	\$ 647,000.00	5.00%	October 19, 2030
July 25, 1995	\$ 198,000.00	4.50%	July 25, 2035
June 14, 2000	\$1,237,000.00	5.00%	June 14, 2040
June 14, 2000	\$ 100,000.00	5.875%	June 14, 2040

(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. 1490 a, 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 BOURBON:

WATER TOWER SITE - C

A certain tract or parcel of land lying and being on

512 - 326  
3-18-04  
5741

Form RD 3550-14 KY  
(8-99)

Form Approved  
OMB No. 0575-0172

United States Department of Agriculture  
Rural Housing Service  
**MORTGAGE FOR KENTUCKY**

THIS MORTGAGE ("Security Instrument") is made on March 18, 2004.  
The mortgagor is United States Department of Agriculture, Rural Development ("Lender")  
JUDY WATER ASSOCIATION, INC. ("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, c/o Centralized Servicing Center, United States Department of Agriculture, P.O. Box 66889, St. Louis, Missouri 63166.

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 monthly payments, with the full debt, if not paid earlier, due and payable on the maturity date:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Maturity Date</u>
✓ March 18, 2004	\$695,300.00	March 17, 2044
✓ October 19, 1990	\$647,000.00	October 18, 2030
✓ July 25, 1995	\$198,000.00	July 24, 2035
June 14, 2000	\$1,237,000.00	June 13, 2040

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, and (d) the recapture of any payment assistance and subsidy which may be granted to the Borrower by the Lender pursuant to 42 U.S.C. sec. 1472(g) or 1490a. For this purpose, Borrower does hereby mortgage, grant, and convey to the Lender the following described property located in the County of Montgomery, State of Kentucky.

PARCEL I All that tract or parcel of land situated at the southeast corner of the intersection of Howard Lane and Denny Lane in Montgomery County, Kentucky, being more fully described and bounded as follows, to wit: BEGINNING at a set #4 rebar with cap at point #106 of Lot 21 of Franklin Howard Subdivision (Cab. "A", S1.50), said point being part of the existing Judy Water Association Tank site (DB 194, Pg 36) on the east right of way of Howard Lane; thence with said Howard Lane south 11 degrees 45 minutes 03 seconds West 25.00 feet to the TRUE POINT OF BEGINNING, said point being a fence post at the southwest corner of the existing Judy Water Association tank site, said point being witnessed by a set #4 rebar with cap at South 81 degrees 38 minutes 39 seconds West, 1.00 foot; thence leaving said Howard Lane for three (3) new lines through the lands of J. O. Briggs and Rachel Briggs (DB 200, Pg 211): (1) North 81 degrees 38 minutes 39 seconds East, 50.00 feet to a fence post, said point being witnessed by a set #4 rebar with cap at North 81 degrees 38 minutes 39 seconds East, 3.00 feet. (2) South 08 degrees 21 minutes 20 seconds East 40.00 feet to a set #4 rebar with cap, (3)