

Rubin & Hays

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

November 2, 2010

RECEIVED

NOV 5 2010

**PUBLIC SERVICE
COMMISSION**

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

Re: Lake Village Water Association, Inc. PSC Application

Dear Mr. Derouen:

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

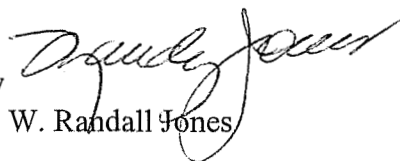
This Application requests approval of the issuance of securities for the purpose of refunding certain high interest debt of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application 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: Mr. Mike Sanford, Lake Village Water Association, Inc.
Ms. Kristen Millard, Morgan Keegan

RECEIVED

NOV 5 2010

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF THE LAKE)
VULLAGE WATER ASSOCIATION, INC., TO)
ISSUE SECURITIES IN THE APPROX-)
MATE PRINCIPAL AMOUNT OF \$1,175,000)
FOR THE PURPOSE OF REFUNDING CERTAIN)
OUTSTANDING INDEBTEDNESS OF THE) Case No. 2010 - _____
ASSOCIATION PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Lake Village 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 \$1,175,000 (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 Mercer 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:

Lake Village Water Association, Inc.
c/o Mr. Danny Noel, President
P.O. Box 303
Burgin, Kentucky 40310
Telephone: (859) 748-5642

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"), in the estimated principal amount of \$1,175,000 (subject to adjustment of up to 10%), as evidenced by a loan agreement (the "Loan Agreement"), for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Lake Village Water Association Promissory Note, dated February 13, 1986, in the original principal amount of \$520,000, bearing interest at the rate of 8.375% per annum (the "1986 Note"), currently held the United States Department of Agriculture, acting through Rural Development ("RD"); (ii) Lake Village Water Association Promissory Note, dated April 12, 1994, in the original principal amount of \$825,000, bearing interest at the rate of 5.50% per annum (the "1994A Note"), currently held by RD; and (iii) Lake Village Water Association Promissory Note, dated April 12, 1994, in the original principal amount of \$345,000, bearing interest at the rate of 5.375% per annum (the "1994B Note"),

currently held by RD (the 1986 Note, the 1994A Note and the 1994B Note being hereinafter collectively referred to as the "Prior Loans").

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 \$194,118.60. 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.

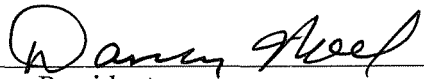
18. No rate adjustment will be necessary.

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

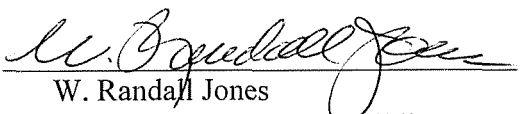
1. Authorize the issuance of the securities requested in the Application prior to the estimated closing date of **December 2, 2010**;
2. Grant the Association a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the Association's 2009 Annual Report and 2009 audit 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.

Lake Village Water Association, Inc.

By 
President
P.O. Box 303
Burgin, Kentucky 40310
Phone: (859) 748-5642

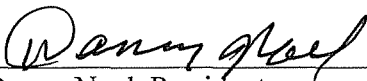
Rubin & Hays

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 Lake Village Association,
Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF MERCER)

The affiant, Danny Noel, being first duly sworn, states: That he is the President of the Lake Village 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 29 day of October, 2010.



Danny Noel, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Danny Noel, President of the Lake Village Water Association, Inc., on this the 29th day of October, 2010.

My Commission expires: 7/26/2014.



NOTARY PUBLIC

Commonwealth of Kentucky
Department of State



Secretary of State

FRANCES JONES MILLS
FRANKFORT, KENTUCKY

CERTIFICATE

I, FRANCES JONES MILLS, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of **Articles of Incorporation of LAKE VILLAGE WATER ASSOCIATION, INC.** filed May 2, 1968, Amendment filed February 13, 1978.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal.
Done at Frankfort this 17th day of
January, 1983
Frances Jones Mills
Secretary of State, Commonwealth of Kentucky

ARTICLES OF INCORPORATION

OF

LAKE VILLAGE WATER

ASSOCIATION INC.

Adopted
This 1st day of
Commonwealth of 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 bodies corporate under said laws, and do hereby adopt the following Articles of Incorporation:

ARTICLE I

NAME

The name of this corporation shall be LAKE VILLAGE WATER ASSOCIATION, INC.

ARTICLE II

REGISTERED OFFICE AND AGENT

The registered office of the corporation shall be at Danville, County of Boyle, State of Kentucky; the registered agent at such address is Donald D. Harkins, Farmers National Bank Building, Danville, Kentucky.

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

Person 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, three (3) Directors shall be elected for a term of one year; one (1) Director shall be elected for a term of two years; one (1) Director shall be elected for a term of three years. Thereafter Directors shall be elected for terms 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 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:

J. Clemens Caldwell	Danville, Kentucky
J. Wellington Cooper	Danville, Kentucky
Ross Kelly	Danville, Kentucky
H. N. Graham	Harrodsburg, Kentucky
James Campbell	Harrodsburg, Kentucky

and the following persons shall be Officers:

President	J. Clemens Caldwell	Danville, Kentucky
Vice President	James Campbell	Harrodsburg, Kentucky
Secretary	H. N. Graham	Harrodsburg, Kentucky
Treasurer	Ross Kelly	Danville, Kentucky

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 first Monday in March 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 twenty (20) 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:

J. Clemens Caldwell	Danville, Kentucky
Ross Kelly	Danville, Kentucky
J. Wellington Cooper	Danville, Kentucky
H. N. Graham	Harrodsburg, Kentucky
James Campbell	Route # 4 Harrodsburg, Kentucky

ARTICEL 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 the 25th day of April, 1968.

J. W. Cooper

James H. Campbell

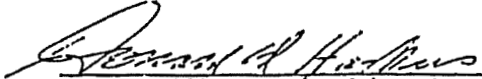
Ross Kelly

H. N. Graham

William Caldwell

STATE OF KENTUCKY
COUNTY OF BOYLE

On this 25th day of April, 1968, before me Donald D. Harkins, a Notary Public in and for said County, personally appeared J. Clemens Caldwell, Ross Kelly, J. Wellington Cooper, H. N. Graham and James Campbell to me known to be the persons named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.



Notary Public, Commonwealth at Large

My commission expires February 19, 1969.

ORIGINAL COPY
FILED AND RECORDED

James Bealy

MAY 2 1968

SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY
BY *James Bealy*
ASSISTANT SECRETARY OF STATE

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION OF
LAKE VILLAGE WATER ASSOCIATION, INC.

SECRETARY OF STATE
RECEIVED
FEB 13 1978
Commonwealth of Kentucky

Ross Kelly, President, and Campbell Yocum, Secretary of the Lake Village Water Association, Inc., a Kentucky corporation, with its principal office located at Burgin, Mercer County, Kentucky, do hereby certify that a meeting of the members of the Corporation entitled to vote on the proposal to amend the Articles of Incorporation thereof as contained in the following resolution was duly called upon notice of the specific purpose and held on the 7th day of January, 1978, at 10:00 a.m., in the Cafeteria of the Burgin High School, Burgin, Kentucky, at which meeting a quorum of such members of the corporation was present in person or by proxy and that by the affirmative vote of said members the following Resolution was adopted to amend the Articles:

RESOLVED that Article IX, Paragraph 1, be amended to read as follows:

The annual meeting of the members of this Corporation for the purpose of announcing the results of the election of directors and transacting such other business as might properly come before it at such time shall be held on the first Monday in April of each year at the time and place specified by the Board of Directors; said election shall be by secret ballot conducted by mail.

IN WITNESS WHEREOF, Ross Kelly, President, and Campbell Yocum, Secretary of the Lake Village Water Association, Inc., acting for and on behalf of said corporation have hereunto

ORIGINAL COPY
FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

FEB 13 1978

Dorothy R. Davis
SECRETARY OF STATE

Page 1 of 2 pages

subscribed their names this 7 day of February,
1978.

LAKE VILLAGE WATER ASSOCIATION, INC.

By Ross Kelly
Ross Kelly, President

LAKE VILLAGE WATER ASSOCIATION, INC.

By Campbell Yocum
Campbell Yocum, Secretary

COMMONWEALTH OF KENTUCKY

COUNTY OF BOYLE

The foregoing instrument of writing was acknowledged before
me by Ross Kelly and Campbell Yocum, this 7th day of
February, 1978.

My commission expires August 1981

P. H. Boyd
NOTARY PUBLIC

THIS DOCUMENT PREPARED BY:

William L. Stevens
WILLIAM L. STEVENS
Attorney at Law
326 W. Main St.
Danville, Kentucky 40422

\$1,175,000

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

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
08/01/2012	Serial Coupon	2.250%	1.300%	55,000.00	101.637%	55,900.35
08/01/2013	Serial Coupon	2.250%	1.470%	55,000.00	102.093%	56,151.15
08/01/2014	Serial Coupon	2.250%	1.710%	55,000.00	101.952%	56,073.60
08/01/2015	Serial Coupon	2.250%	2.050%	55,000.00	100.899%	55,494.45
08/01/2016	Serial Coupon	2.250%	2.300%	60,000.00	99.730%	59,838.00
08/01/2017	Serial Coupon	2.500%	2.600%	60,000.00	99.382%	59,629.20
08/01/2018	Serial Coupon	2.750%	2.840%	60,000.00	99.375%	59,625.00
08/01/2019	Serial Coupon	3.000%	3.050%	60,000.00	99.615%	59,769.00
08/01/2020	Serial Coupon	3.250%	3.220%	65,000.00	100.246%	65,159.90
08/01/2021	Serial Coupon	3.250%	3.340%	65,000.00	99.189%	64,472.85
08/01/2022	Serial Coupon	3.500%	3.460%	70,000.00	100.379%	70,265.30
08/01/2023	Serial Coupon	3.500%	3.540%	35,000.00	99.588%	34,855.80
08/01/2024	Serial Coupon	3.630%	3.600%	40,000.00	100.319%	40,127.60
08/01/2025	Serial Coupon	3.750%	3.670%	40,000.00	100.900%	40,360.00
08/01/2026	Serial Coupon	3.750%	3.750%	40,000.00	100.000%	40,000.00
08/01/2027	Serial Coupon	3.880%	3.840%	45,000.00	100.486%	45,218.70
08/01/2028	Serial Coupon	4.000%	3.930%	45,000.00	100.883%	45,397.35
08/01/2029	Serial Coupon	4.000%	4.030%	45,000.00	99.602%	44,820.90
08/01/2030	Serial Coupon	4.250%	4.130%	50,000.00	101.604%	50,802.00
08/01/2031	Serial Coupon	4.250%	4.220%	50,000.00	100.406%	50,203.00
08/01/2032	Serial Coupon	4.250%	4.300%	35,000.00	99.292%	34,752.20
08/01/2033	Serial Coupon	4.375%	4.380%	35,000.00	99.922%	34,972.70
08/01/2034	Serial Coupon	4.500%	4.470%	40,000.00	100.430%	40,172.00
Total	-	-	-	\$1,160,000.00	-	\$1,164,061.05

Bid Information

Par Amount of Bonds.....	\$1,160,000.00
Reoffering Premium or (Discount).....	4,061.05
Gross Production.....	\$1,164,061.05
Total Underwriter's Discount (1.050%).....	\$(12,180.00)
Bid (99.300%).....	1,151,881.05
Total Purchase Price.....	\$1,151,881.05
Bond Year Dollars.....	\$13,755.00
Average Life.....	11.858 Years
Average Coupon.....	3.6851129%
Net Interest Cost (NIC).....	3.7441383%
True Interest Cost (TIC).....	3.6975793%

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\$1,175,000

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

Aggregate Debt Service

Date	Principal	Interest	Total P+I	Fiscal Total
11/01/2010	-	-	-	-
08/01/2011	15,000.00	28,625.06	43,625.06	-
12/30/2011	-	-	-	43,625.06
02/01/2012	-	19,008.38	19,008.38	-
08/01/2012	55,000.00	19,008.38	74,008.38	-
12/30/2012	-	-	-	93,016.76
02/01/2013	-	18,389.63	18,389.63	-
08/01/2013	55,000.00	18,389.63	73,389.63	-
12/30/2013	-	-	-	91,779.26
02/01/2014	-	17,770.88	17,770.88	-
08/01/2014	55,000.00	17,770.88	72,770.88	-
12/30/2014	-	-	-	90,541.76
02/01/2015	-	17,152.13	17,152.13	-
08/01/2015	55,000.00	17,152.13	72,152.13	-
12/30/2015	-	-	-	89,304.26
02/01/2016	-	16,533.38	16,533.38	-
08/01/2016	60,000.00	16,533.38	76,533.38	-
12/30/2016	-	-	-	93,066.76
02/01/2017	-	15,858.38	15,858.38	-
08/01/2017	60,000.00	15,858.38	75,858.38	-
12/30/2017	-	-	-	91,716.76
02/01/2018	-	15,108.38	15,108.38	-
08/01/2018	60,000.00	15,108.38	75,108.38	-
12/30/2018	-	-	-	90,216.76
02/01/2019	-	14,283.38	14,283.38	-
08/01/2019	60,000.00	14,283.38	74,283.38	-
12/30/2019	-	-	-	88,566.76
02/01/2020	-	13,383.38	13,383.38	-
08/01/2020	65,000.00	13,383.38	78,383.38	-
12/30/2020	-	-	-	91,766.76
02/01/2021	-	12,327.13	12,327.13	-
08/01/2021	65,000.00	12,327.13	77,327.13	-
12/30/2021	-	-	-	89,654.26
02/01/2022	-	11,270.88	11,270.88	-
08/01/2022	70,000.00	11,270.88	81,270.88	-
12/30/2022	-	-	-	92,541.76
02/01/2023	-	10,045.88	10,045.88	-
08/01/2023	35,000.00	10,045.88	45,045.88	-
12/30/2023	-	-	-	55,091.76
02/01/2024	-	9,433.38	9,433.38	-
08/01/2024	40,000.00	9,433.38	49,433.38	-
12/30/2024	-	-	-	58,866.76
02/01/2025	-	8,707.38	8,707.38	-
08/01/2025	40,000.00	8,707.38	48,707.38	-
12/30/2025	-	-	-	57,414.76
02/01/2026	-	7,957.38	7,957.38	-
08/01/2026	40,000.00	7,957.38	47,957.38	-
12/30/2026	-	-	-	55,914.76
02/01/2027	-	7,207.38	7,207.38	-
08/01/2027	45,000.00	7,207.38	52,207.38	-
12/30/2027	-	-	-	59,414.76
02/01/2028	-	6,334.38	6,334.38	-
08/01/2028	45,000.00	6,334.38	51,334.38	-
12/30/2028	-	-	-	57,668.76
02/01/2029	-	5,434.38	5,434.38	-
08/01/2029	45,000.00	5,434.38	50,434.38	-
12/30/2029	-	-	-	55,868.76
02/01/2030	-	4,534.38	4,534.38	-
08/01/2030	50,000.00	4,534.38	54,534.38	-
12/30/2030	-	-	-	59,068.76
02/01/2031	-	3,471.88	3,471.88	-
08/01/2031	50,000.00	3,471.88	53,471.88	-
12/30/2031	-	-	-	56,943.76
02/01/2032	-	2,409.38	2,409.38	-
08/01/2032	35,000.00	2,409.38	37,409.38	-
12/30/2032	-	-	-	39,818.76
02/01/2033	-	1,665.63	1,665.63	-
08/01/2033	35,000.00	1,665.63	36,665.63	-
12/30/2033	-	-	-	38,331.26
02/01/2034	-	900.00	900.00	-
08/01/2034	40,000.00	900.00	40,900.00	-
12/30/2034	-	-	-	41,800.00
Total	\$1,175,000.00	\$506,999.78	\$1,681,999.78	-

Par Amounts Of Selected Issues

WATER ASSOCIATIONS -Lake Village Water Association.....	1,160,000.00
WATER ASSOCIATIONS -Lake Village WA Taxable.....	15,000.00
TOTAL.....	1,175,000.00

9/23/2010 | 1:251 PM

\$1,175,000

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

Total Net Debt Service

Date	Principal	Interest	Expenses	Net New D/S
12/30/2010	-	-	-	-
12/30/2011	15,000.00	28,625.06	450.00	44,075.06
12/30/2012	55,000.00	38,016.76	450.00	93,466.76
12/30/2013	55,000.00	36,779.26	450.00	92,229.26
12/30/2014	55,000.00	35,541.76	450.00	90,991.76
12/30/2015	55,000.00	34,304.26	450.00	89,754.26
12/30/2016	60,000.00	33,066.76	450.00	93,516.76
12/30/2017	60,000.00	31,716.76	450.00	92,166.76
12/30/2018	60,000.00	30,216.76	450.00	90,666.76
12/30/2019	60,000.00	28,566.76	450.00	89,016.76
12/30/2020	65,000.00	26,766.76	450.00	92,216.76
12/30/2021	65,000.00	24,654.26	450.00	90,104.26
12/30/2022	70,000.00	22,541.76	450.00	92,991.76
12/30/2023	35,000.00	20,091.76	450.00	55,541.76
12/30/2024	40,000.00	18,866.76	450.00	59,316.76
12/30/2025	40,000.00	17,414.76	450.00	57,864.76
12/30/2026	40,000.00	15,914.76	450.00	56,364.76
12/30/2027	45,000.00	14,414.76	450.00	59,864.76
12/30/2028	45,000.00	12,668.76	450.00	58,118.76
12/30/2029	45,000.00	10,868.76	450.00	56,318.76
12/30/2030	50,000.00	9,068.76	450.00	59,518.76
12/30/2031	50,000.00	6,943.76	450.00	57,393.76
12/30/2032	35,000.00	4,818.76	450.00	40,268.76
12/30/2033	35,000.00	3,331.26	450.00	38,781.26
12/30/2034	40,000.00	1,800.00	450.00	42,250.00
Total	\$1,175,000.00	\$506,999.78	\$10,800.00	\$1,692,799.78

Par Amounts Of Selected Issues

WATER ASSOCIATIONS -Lake Village Water Association.....	1,160,000.00
WATER ASSOCIATIONS -Lake Village WA Taxable.....	15,000.00
TOTAL.....	1,175,000.00

\$1,175,000

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

Sources & Uses

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

Sources Of Funds

Par Amount of Bonds.....	\$1,175,000.00
Reoffering Premium.....	4,061.05
Transfers from Prior Issue Debt Service Funds.....	57,365.50

Total Sources..... \$1,236,426.55

Uses Of Funds

Total Underwriter's Discount.....	12,258.00
Costs of Issuance.....	21,300.00
Deposit to Current Refunding Fund.....	1,201,544.66
Rounding Amount.....	1,323.89

Total Uses..... \$1,236,426.55

\$1,175,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Lake Village 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	43,625.06	450.00	44,075.06	103,687.99	59,612.93
12/30/2012	93,016.76	450.00	93,466.76	103,688.12	10,221.36
12/30/2013	91,779.26	450.00	92,229.26	103,688.38	11,459.12
12/30/2014	90,541.76	450.00	90,991.76	103,689.01	12,697.25
12/30/2015	89,304.26	450.00	89,754.26	103,687.38	13,933.12
12/30/2016	93,066.76	450.00	93,516.76	103,687.21	10,170.45
12/30/2017	91,716.76	450.00	92,166.76	103,687.03	11,520.27
12/30/2018	90,216.76	450.00	90,666.76	103,688.50	13,021.74
12/30/2019	88,566.76	450.00	89,016.76	103,687.03	14,670.27
12/30/2020	91,766.76	450.00	92,216.76	103,688.20	11,471.44
12/30/2021	89,654.26	450.00	90,104.26	103,688.95	13,584.69
12/30/2022	92,541.76	450.00	92,991.76	103,688.06	10,696.30
12/30/2023	55,091.76	450.00	55,541.76	70,558.95	15,017.19
12/30/2024	58,866.76	450.00	59,316.76	70,558.84	11,242.08
12/30/2025	57,414.76	450.00	57,864.76	70,558.57	12,693.81
12/30/2026	55,914.76	450.00	56,364.76	70,558.81	14,194.05
12/30/2027	59,414.76	450.00	59,864.76	70,558.82	10,694.06
12/30/2028	57,668.76	450.00	58,118.76	70,558.56	12,439.80
12/30/2029	55,868.76	450.00	56,318.76	70,558.60	14,239.84
12/30/2030	59,068.76	450.00	59,518.76	70,559.08	11,040.32
12/30/2031	56,943.76	450.00	57,393.76	70,558.68	13,164.92
12/30/2032	39,818.76	450.00	40,268.76	52,199.71	11,930.95
12/30/2033	38,331.26	450.00	38,781.26	52,199.74	13,418.48
12/30/2034	41,800.00	450.00	42,250.00	52,199.29	9,949.29
Total	\$1,681,999.78	\$10,800.00	\$1,692,799.78	\$2,035,883.51	\$343,083.73

Sinking Fund Transfer	(57,365.50)
Rounding Amount	1,323.89
Total Net FV Benefit	<u>287,042.12</u>

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	257,085.04
Effects of changes in Expenses.....	(6,924.83)
Net PV Cashflow Savings @ 3.966%(AIC).....	250,160.21
Transfers from Prior Issue Debt Service Fund.....	(57,365.50)
Contingency or Rounding Amount.....	1,323.89
Net Present Value Benefit.....	\$194,118.60
Net PV Benefit / \$1,159,206 Refunded Principal.....	16.746%
Net PV Benefit / \$1,175,000 Refunding Principal.....	16.521%

Refunding Bond Information

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

\$825,000

*Lake Village Water Association
Series 1994*

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	14,441.00	5.500%	37,758.22	52,199.22
12/30/2012	15,236.00	5.500%	36,963.96	52,199.96
12/30/2013	16,074.00	5.500%	36,125.98	52,199.98
12/30/2014	16,958.00	5.500%	35,241.91	52,199.91
12/30/2015	17,890.00	5.500%	34,309.22	52,199.22
12/30/2016	18,874.00	5.500%	33,325.27	52,199.27
12/30/2017	19,912.00	5.500%	32,287.20	52,199.20
12/30/2018	21,008.00	5.500%	31,192.04	52,200.04
12/30/2019	22,163.00	5.500%	30,036.60	52,199.60
12/30/2020	23,382.00	5.500%	28,817.64	52,199.64
12/30/2021	24,668.00	5.500%	27,531.63	52,199.63
12/30/2022	26,025.00	5.500%	26,174.89	52,199.89
12/30/2023	27,456.00	5.500%	24,743.51	52,199.51
12/30/2024	28,966.00	5.500%	23,233.43	52,199.43
12/30/2025	30,559.00	5.500%	21,640.30	52,199.30
12/30/2026	32,240.00	5.500%	19,959.56	52,199.56
12/30/2027	34,013.00	5.500%	18,186.36	52,199.36
12/30/2028	35,884.00	5.500%	16,315.64	52,199.64
12/30/2029	37,857.00	5.500%	14,342.02	52,199.02
12/30/2030	39,940.00	5.500%	12,259.89	52,199.89
12/30/2031	42,136.00	5.500%	10,063.19	52,199.19
12/30/2032	44,454.00	5.500%	7,745.71	52,199.71
12/30/2033	46,899.00	5.500%	5,300.74	52,199.74
12/30/2034	49,478.00	5.500%	2,721.29	52,199.29
Total	\$686,513.00	-	\$566,276.20	\$1,252,789.20

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	14.445 Years
Average Coupon.....	5.5000005%
Weighted Average Maturity (Par Basis).....	14.445 Years

Refunding Bond Information

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

\$369,888

*Lake Village Water Association
Series 1986*

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	12,620.00	8.375%	20,509.04	33,129.04
12/30/2012	13,677.00	8.375%	19,452.11	33,129.11
12/30/2013	14,822.00	8.375%	18,306.66	33,128.66
12/30/2014	16,064.00	8.375%	17,065.32	33,129.32
12/30/2015	17,409.00	8.375%	15,719.96	33,128.96
12/30/2016	18,867.00	8.375%	14,261.96	33,128.96
12/30/2017	20,447.00	8.375%	12,681.84	33,128.84
12/30/2018	22,160.00	8.375%	10,969.41	33,129.41
12/30/2019	24,015.00	8.375%	9,113.51	33,128.51
12/30/2020	26,027.00	8.375%	7,102.25	33,129.25
12/30/2021	28,207.00	8.375%	4,922.49	33,129.49
12/30/2022	30,569.00	8.375%	2,560.15	33,129.15
Total	\$244,884.00	-	\$152,664.70	\$397,548.70

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	6.727 Years
Average Coupon.....	8.3750002%
Weighted Average Maturity (Par Basis).....	6.727 Years

Refunding Bond Information

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

\$286,909

*Lake Village Water Association
Series 1994 B*

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	6,115.00	5.375%	12,244.73	18,359.73
12/30/2012	6,443.00	5.375%	11,916.05	18,359.05
12/30/2013	6,790.00	5.375%	11,569.74	18,359.74
12/30/2014	7,155.00	5.375%	11,204.78	18,359.78
12/30/2015	7,539.00	5.375%	10,820.20	18,359.20
12/30/2016	7,944.00	5.375%	10,414.98	18,358.98
12/30/2017	8,371.00	5.375%	9,987.99	18,358.99
12/30/2018	8,821.00	5.375%	9,538.05	18,359.05
12/30/2019	9,295.00	5.375%	9,063.92	18,358.92
12/30/2020	9,795.00	5.375%	8,564.31	18,359.31
12/30/2021	10,322.00	5.375%	8,037.83	18,359.83
12/30/2022	10,876.00	5.375%	7,483.02	18,359.02
12/30/2023	11,461.00	5.375%	6,898.44	18,359.44
12/30/2024	12,077.00	5.375%	6,282.41	18,359.41
12/30/2025	12,726.00	5.375%	5,633.27	18,359.27
12/30/2026	13,410.00	5.375%	4,949.25	18,359.25
12/30/2027	14,131.00	5.375%	4,228.46	18,359.46
12/30/2028	14,890.00	5.375%	3,468.92	18,358.92
12/30/2029	15,691.00	5.375%	2,668.58	18,359.58
12/30/2030	16,534.00	5.375%	1,825.19	18,359.19
12/30/2031	17,423.00	5.375%	936.49	18,359.49
Total	\$227,809.00	-	\$157,736.61	\$385,545.61

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	12.329 Years
Average Coupon.....	5.3750012%
Weighted Average Maturity (Par Basis).....	12.329 Years

Refunding Bond Information

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

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
CASH (NOTE 3)	\$ 156,192	\$ 228,292
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE)	102,911	97,980
DUE FROM OTHER GOVERNMENT	28,845	-
INVENTORY (NOTE 2)	18,625	15,403
PREPAID EXPENSES (NOTE 2)	<u>21,248</u>	<u>24,692</u>
 TOTAL CURRENT ASSETS	 327,821	 366,367
RESTRICTED ASSETS:		
CASH (NOTE 3)	241,544	295,981
PROPERTY & EQUIPMENT, NET (NOTE 2 AND 4)	<u>5,381,346</u>	<u>4,302,582</u>
 TOTAL ASSETS	 <u>\$ 5,950,711</u>	 <u>\$ 4,964,930</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
<u>LIABILITIES & EQUITY</u>		
CURRENT LIABILITIES:		
CURRENT PORTION - DEBT (NOTE 5)	\$ 61,925	\$ 59,252
CASH OVERDRAFT (NOTE 3)	35,554	38,896
ACCOUNTS PAYABLE	23,879	19,727
DUE TO MERCER SANITATION DISTRICT	10,862	-
CONTRACTORS PAYABLE	86,275	30,482
ACCRUED INTEREST	90,226	71,412
OTHER CURRENT LIABILITIES	<u>31,954</u>	<u>29,769</u>
 TOTAL CURRENT LIABILITIES	 340,675	 249,538
 LONG-TERM DEBT (NOTE 5)	 <u>3,229,095</u>	 <u>2,836,454</u>
 TOTAL LIABILITIES	 3,569,770	 3,085,992
MEMBERS' EQUITY:		
MEMBERSHIPS	649,928	644,528
CONTRIBUTIONS IN AID OF CONSTRUCTION	2,565,469	2,065,469
RETAINED DEFICIT	<u>(834,456)</u>	<u>(831,059)</u>
 TOTAL EQUITY	 <u>2,380,941</u>	 <u>1,878,938</u>
 TOTAL LIABILITIES & MEMBERS' EQUITY	 <u>\$ 5,950,711</u>	 <u>\$ 4,964,930</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
OPERATING REVENUE:		
WATER SALES	\$ 1,031,429	\$ 1,136,601
MANAGEMENT FEE INCOME	18,750	-
OTHER OPERATING REVENUE	<u>27,082</u>	<u>32,572</u>
TOTAL OPERATING REVENUE	1,077,261	1,169,173
OPERATING EXPENSES	<u>778,042</u>	<u>793,039</u>
NET OPERATING INCOME BEFORE DEPRECIATION	299,219	376,134
DEPRECIATION (NOTE 2)	<u>200,099</u>	<u>200,451</u>
NET OPERATING INCOME	99,120	175,683
NON-OPERATING INCOME (EXPENSES):		
GAIN (LOSS) ON SALE OF ASSETS	400	-
SETTLEMENT INCOME - CITY OF DANVILLE	28,845	-
INTEREST INCOME	8,320	4,835
INTEREST EXPENSE	<u>(140,082)</u>	<u>(163,349)</u>
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(102,517)</u>	<u>(158,514)</u>
NET INCOME (LOSS)	<u>\$ (3,397)</u>	<u>\$ 17,169</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>MEMBERSHIPS</u>	CONTRIBUTIONS IN AID OF <u>CONSTRUCTION</u>	RETAINED <u>DEFICIT</u>	<u>TOTAL</u>
BALANCE AT JANUARY 1, 2008	\$ 626,595	\$ 2,065,469	\$ (848,228)	\$ 1,843,836
2008 NET LOSS	-	-	17,169	17,169
CAPITAL CONTRIBUTION- GOVERNMENT	-	-	-	-
MEMBERSHIPS	<u>17,933</u>	<u>-</u>	<u>-</u>	<u>17,933</u>
BALANCE AT DECEMBER 31, 2008	644,528	2,065,469	(831,059)	1,878,938
2009 NET INCOME	-	-	(3,397)	(3,397)
CAPITAL CONTRIBUTION- GOVERNMENT	-	500,000	-	500,000
MEMBERSHIPS	<u>5,400</u>	<u>-</u>	<u>-</u>	<u>5,400</u>
BALANCE AT DECEMBER 31, 2009	<u>\$ 649,928</u>	<u>\$ 2,565,469</u>	<u>\$ (834,456)</u>	<u>\$ 2,380,941</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
SOURCE OF SUPPLY EXPENSE:		
WATER PURCHASES	\$ 313,668	\$ 353,980
TOTAL	313,668	353,980
TRANSMISSION & DISTRIBUTION EXPENSE:		
MAINTENANCE & REPAIRS	<u>36,824</u>	<u>25,517</u>
TOTAL	36,824	25,517
CUSTOMER ACCOUNTS EXPENSE:		
UNCOLLECTIBLE ACCOUNTS	-	5,091
SUPPLIES & POSTAGE	<u>12,319</u>	<u>15,558</u>
TOTAL	12,319	20,649
ADMINISTRATIVE & GENERAL:		
SALARIES	212,081	201,595
INSURANCE	27,049	29,827
MISCELLANEOUS GENERAL EXPENSE	63,331	56,028
TRANSPORTATION EXPENSE	13,251	15,477
PAYROLL TAXES	17,417	16,480
STAFF BENEFITS	46,491	43,746
LEGAL	6,440	2,946
AUDIT AND ACCOUNTING	4,910	4,785
COMMISSIONERS' FEES	18,000	18,000
ENGINEERING FEES	4,463	2,412
OTHER LICENSES AND TAXES	<u>1,798</u>	<u>1,597</u>
TOTAL ADMINISTRATIVE & GENERAL	<u>415,231</u>	<u>392,893</u>
TOTAL OPERATING EXPENSES	<u>\$ 778,042</u>	<u>\$ 793,039</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
NET LOSS	\$ (3,397)	\$ 17,169
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	200,099	200,451
DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE	(4,931)	(15,695)
INCREASE IN DUE FROM OTHER GOVERNMENT	(28,845)	-
DECREASE (INCREASE) IN INVENTORY	(3,222)	4,883
DECREASE (INCREASE) IN PREPAID EXPENSES	3,444	(2,758)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	4,152	7,147
INCREASE IN DUE TO SANITATION DISTRICT	10,862	-
INCREASE (DECREASE) IN CONTRACTORS PAYABLE	55,793	(1,901)
INCREASE (DECREASE) IN OTHER CURRENT LIABILITIES	2,185	(19,269)
INCREASE (DECREASE) IN ACCRUED INTEREST	<u>18,814</u>	<u>1,111</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>254,954</u>	<u>191,138</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
ACQUISITION OF PROPERTY AND EQUIPMENT	<u>(1,278,863)</u>	<u>(104,468)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,278,863)</u>	<u>(104,468)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
MEMBERSHIPS (TAP FEES)	5,400	17,933
CAPITAL CONTRIBUTIONS-GOVERNMENT	500,000	-
BORROWINGS OF INTERIM LOANS	992,501	-
REPAYMENTS OF NOTE PAYABLE	(546,505)	(9,083)
REPAYMENTS OF RD LOANS	<u>(50,682)</u>	<u>(52,361)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>900,714</u>	<u>(43,511)</u>
NET INCREASE (DECREASE) IN CASH	(123,195)	43,159
CASH AT BEGINNING OF YEAR	<u>485,377</u>	<u>442,218</u>
CASH AT END OF YEAR	<u>\$ 362,182</u>	<u>\$ 485,377</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008, THE ASSOCIATION PAID \$142,288 AND \$162,238 RESPECTIVELY, IN INTEREST COSTS. IN 2009, THE ASSOCIATION ALSO INCURRED \$21,368 IN INTEREST (NET OF INTEREST EARNED ON THE BORROWED FUNDS) RELATED TO INTERIM FINANCING. THIS INTEREST WAS CAPITALIZED IN THE FINANCIAL STATEMENTS.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

REAL ESTATE MORTGAGE FOR KENTUCKY

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

residing in Mercer County, Kentucky, whose post office address is Box 303, Burgin, Kentucky 40310 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>
02/13/86	\$520,000.00	8-3/8%	02/13/2026
04/21/70	\$110,000.00	5%	04/21/2010
04/21/70	\$100,000.00	5%	04/21/2010
04/21/70	\$200,000.00	5%	04/21/2010
04/21/70	\$200,000.00	5%	04/21/2010
04/13/84	\$945,000.00	5-3/8%	04/13/2034

(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 Boyle and Mercer

SEE ATTACHED DESCRIPTIONS.

A. J.

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 or decrease 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.

Given under the hand(s) and seal(s) of Borrower this 12th day of April, 19 94.

LAKE VILLAGE WATER ASSOCIATION, INC. (SEAL)

BY: [Signature] (SEAL)
DANNY NOEL, PRESIDENT

STATE OF KENTUCKY

COUNTY OF Mercer } ss: ATTEST: [Signature]
JERRY BROWN, SECRETARY

Before me, Kathy R. Freeman, a Notary Public in and for
the County of Mercer personally appeared Danny Noel

and Jerry Brown,

who acknowledged that they executed the foregoing instrument on the 12th
day of April, 19 94, as their free act and deed.

WITNESS my hand and official seal this 12th day of April, 19 94.

(SEAL) [Signature] Notary Public

My commission expires: 3-28-95

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

WILLIAM L. STEVENS (name)

TAYLOR, STEVENS & MCKINNEY, 326 W. Main Street, P.O. Box 901, Danville, KY 40423-0901 (address)

[Signature]
WILLIAM L. STEVENS (Signature)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY

COUNTY OF Mercer } ss:

I, Larry Short, Clerk of the County Court for the County aforesaid, do certify
that the foregoing mortgage was on the 12 day of April, 19 94, lodged for record
at 10:59 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 12 day of April, 19 94.

[Signature] Clerk of Mercer County Court
By [Signature], D.C.

GRANTING CLAUSE ONE

PARCEL NO. 1:

Beginning at a point in the east margin of an existing gravel drive, which point is S 02° 45' 00" W, 2,573.88 feet from KY Hwy 152; thence from this point of beginning along a new division line of Waggener S 87° 00' 00" E, 100.19 feet to an iron pin; thence continuing along the new division line of Waggener S 02° 45' 00" W, 100.44 feet to an iron pin in the line of Montgomery; thence with the line of Montgomery N 87° 00' 00" W, 100.19 feet to the corner of Waggener and Montgomery; thence N 02° 45' 00" E, 100.44 feet to the point of beginning and containing 0.23 acres, more or less, as per survey of Howard W. Cruse, II, R.L.S. #3115, dated the 22nd day of December, 1992.

Being the same real property conveyed to the Lake Village Water Association, Inc., a Kentucky corporation, by deed of James W. Waggener and Peggy Waggener, his wife, dated the 19th day of July, 1993, and of record in Deed Book 245, page 443, in the office of the Mercer County Clerk of December, 1992.

PARCEL NO. 2:

Beginning at a point in the centerline of Moores Lane, corner to J.W. Isham and the northwest corner of the property of the Grantors; thence S 87° 30' 00" W, along the north property line of Grantors a distance of 16.6 feet, more or less, across the county right-of-way, to an iron pin and being the point of beginning; thence along the west right-of-way of Moores Lane S 9° 06' 35" W, 50.33 feet to an iron pin; thence along a new division line of the Grantors N 87° 30' 00" W, 50.33 feet to an iron pin; thence continuing along a new division line of the Grantors N 9° 06' 35" E, 50.33 feet to an iron pin in the line of Isham; thence with Isham S 87° 30' 00" E, 50.33 feet to the point of beginning and contains 0.058 acres, more or less, as per survey of Howard W. Cruse, II, R.L.S. #3115, dated the 21st day of December, 1992.

Being the same real property conveyed to the Lake Village Water Association, Inc., a Kentucky corporation, by deed of Joe Hurt and Ellen Cunningham Hurt, his wife, dated the 12th day of July, 1993, and of record in Deed Book 245, page 381, in the office of the Mercer County Clerk.

PARCEL NO. 3:

Beginning at a point in the centerline of Ison Road, which point is South 06° 51' 00" West 182.40 feet from the Southwest corner of the Lake Village Estates Subdivision; thence from this point of beginning, South 07° 23' 57" West along the centerline of Ison Road a distance of 208.72 feet to an iron pin; thence North 83° 09' 00" West a distance of 208.72 feet to an iron pin; thence North 07° 23' 57" East a distance of 208.72 feet to an iron pin; thence South 83°

09' 00" East a distance of 208.72 feet to the point of beginning, containing one (1) acre, more or less, as per survey of Jeff S. Ransdell, RLS #2982, dated the 1st day of August, 1990.

Being the same real property conveyed to the Lake Village Water Association, Inc., a Kentucky corporation, by deed of William O. May et al., dated the 10th day of December, 1990, and of record in Deed Book 233, page 523, in the office of the Mercer County Clerk.

GRANTING CLAUSE TWO

PARCEL NO. 4:

Beginning at the intersection of the east right-of-way line of Kentucky Highway 33 and the center line of Old Kentucky Highway 33 corner to Brown; thence with the east margin of Kentucky Highway 33 North 49° 38' W 138.9 feet to a point; thence N 62° 58' W 100 feet to a point; thence N 68° 05' W 150 feet to a point; thence N 57° 58' W 100 feet to a point in the south right-of-way line of the Southern Railway System; thence with the south right-of-way of the Southern Railway System N 63° 33' E 266.6 feet to a point in the center line of Old Kentucky Highway 33 corner to Brown; thence with the center line of Old Kentucky Highway 33 south 30° 45' E 172.5 feet to a point; thence S 23° 10' E 234.0 feet to the point of beginning and containing 1.19 acres more or less as per survey of Charles Thomas R.L.S. #1918 dated the 19th day of November, 1979.

Being the same real property conveyed to the Lake Village Water Association, Inc., a Kentucky corporation, by deed of Truman C. Bridges and Joan L. Bridges, his wife, dated the 4th day of December, 1979, and of record in Deed Book 200, page 302, in the office of the Mercer County Clerk.

PARCEL NO. 5:

Beginning at an iron pin at the intersection of the northwest right-of-way of Kentucky Highway 33 and the south right-of-way of Cheatman Lane; thence N 56 degrees 29 minutes W 33' to an iron pin in the south right-of-way of Cheatman Lane; thence S 52 degrees 51 minutes West 85' to an iron pin, new corner to Duncan; thence 56 degrees 29 minutes E 33' to an iron pin in the northwest right-of-way line of Kentucky Highway 33; thence with the northwest right-of-way line of Kentucky Highway 33 N 52 degrees 51 minutes E 85' to the point of beginning and containing 0.055 acres, more or less, as per survey of J.B. Curlis, Jr., R.L.S. No. 2292, dated the 19th day of November, 1984.

Being the same real property conveyed to the Lake Village Water Association, Inc., a Kentucky corporation, by deed of Harvey D. Duncan and Alice Juanita Duncan, his wife, dated the 10th day of February, 1986, and of record in Deed Book 217, page 354, in the office of the Mercer County Clerk.

GRANTING CLAUSE THREE

PARCEL NO. 6:

A parcel of land 130 feet by 50 feet, located adjacent to Kentucky Highway 33, and extending Westward into the property of the Grantors, said parcel being more fully described as beginning at a point in the West right-of-way line of Kentucky Highway 33, said point being 175 feet South of a fence corner and 1160 feet, more or less, South from the intersection of Kentucky Highway 33, with Hogue Road; thence for the following calls: South 5 degrees 0 minutes West 50 feet, more or less, along the West right-of-way of Kentucky Highway 33; thence North 85 degrees 0 minutes West 130 feet, more or less; thence North 5 degrees 0 minutes East 50 feet, more or less; thence South 85 degrees 0 minutes East 130 feet, more or less, to the point of the beginning, said parcel containing .10 acres.

Being the same real property conveyed to the Lake Village Water Association, Inc., a Kentucky corporation, by deed of James L. Campbell and Blanche Campbell, his wife, dated the 28th day of July, 1969, and of record in Deed Book 166, page 599, in the office of the Mercer County Clerk.

PARCELS NOS. 7 & 8:

Permanent easements with all rights to ingress and egress over the following described property in Mercer county, Kentucky, located on the West side of Highway 33:

LV143

A strip of land, 10 feet wide, lying 5 feet either side of a centerline, which centerline begins at a point designated as Station 0+00 and which point is located 20 feet West of the James L. Campbell East property line and 35 feet North of the centerline extended of Hogue Road; thence parallel to and 20 feet West of the James L. Campbell East property line, a distance of 1,195 feet, more or less, to a point in the North property line of the parcel of real estate above described, which point is designated Station 11+95 on said centerline, and which point is located 20 feet West of the Northeast property corner of the parcel of real estate above described.

LV144

A strip of land 10 feet wide lying 5 feet either side of a centerline, which centerline begins at a point in the South property line of the parcel of real estate above described, which point is designated as Station 12+45 on such centerline, and is located 20 feet West of the Southeast property corner of the parcel of real estate above described; thence parallel to and West of the James L. Campbell East property line a distance of 960 feet, more

or less, to a point in the James L. Campbell South property line designated as Station 22+05 on said centerline, which point is located 20 feet West of James L. Campbell Southeast property corner.

Parcels 7 & 8 being the same property as described in the conveyance recorded in Deed Book 166, page 599, in the Office of the Clerk of Court of Mercer County, Kentucky.

GRANTING CLAUSE FOUR

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, pipeline, 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 Counties of Mercer and Boyle, State of Kentucky, 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.

The property described in Granting Clauses Two, Three, and Four is subject to prior mortgage liens in favor of the United States of America acting through the Farmers Home Administration of the United States Department of Agriculture dated April 21, 1970, and recorded April 22, 1970, at 10:00 A.M., in Mortgage Book 98, page 171, and dated February 13, 1986, and recorded February 13, 1986, at 12:30 p.m., both in the office of the Mercer County Clerk, Harrodsburg, Kentucky.

State of Kentucky, County of Mercer, Sct.
I, Larry Short, Mercer County Clerk, do certify that
the foregoing instrument was on this day, lodged
for record, at 2:13 PM, which together with this
and the foregoing certificate has been duly
recorded in my office. Given under my hand this
16 day of April, 1988.

LARRY SHORT, CLERK

By J. Anne Rogge D.C.

Del to Bill Stevan, Atty 2/21/86 Position 5

REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by LAKE VILLAGE WATER ASSOCIATION, INC., a
Kentucky Corporation

located ~~XXXX~~ in Mercer and Boyle County, Kentucky, whose post office address is P.O. Box 303, Burgin, Kentucky 40310, 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 "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>
4-21-70	100,000	5	4-21-2010
4-21-70	200,000	5	4-21-2010
4-21-70	200,000	5	4-21-2010
4-21-70	110,000	5	4-21-2010
2-13-86	520,000	8.375	2-13-2026

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 Mercer and Boyle

SEE ATTACHED SCHEDULE

GRANTING CLAUSE ONE

PARCEL 1: Beginning at an iron pin at the intersection of the northwest right-of-way of Kentucky Highway 33 and the south right-of-way of Cheatman Lane; thence N 56 degrees 29 minutes W 33' to an iron pin in the south right-of-way of Cheatman Lane; thence S 52 degrees 51 minutes West 85' to an iron pin, new corner to Duncan; thence S 56 degrees 29 minutes E 33' to an iron pin in the northwest right-of-way line of Kentucky Highway 33; thence with the northwest right-of-way line of Kentucky Highway 33 N 52 degrees 51 minutes E 85' to the point of beginning and containing 0.055 acres, more or less, as per survey of J.B. Curlis, Jr., R.L.S. No. 2292, dated the 19th day of November, 1984.

Being the same real property conveyed to the Mortgagor herein by deed of Harvey D. Duncan and Alice Juanita Duncan, his wife, date the 10th day of February, 1986, and of record in Deed Book 217, page 354, in the office of the Mercer County Clerk.

PARCEL 2: Beginning at the intersection of the east right-of-way line of Kentucky Highway 33 and the center line of Old Kentucky Highway 33 corner to Brown; thence with the east margin of Kentucky Highway 33 N 49 deg. 38' W 138.9 feet to a point; thence N 62 deg. 58' W 100 feet to a point; thence N 68 deg. 05' W 150 feet to a point; thence N 57 deg. 58' W 100 feet to a point in the south right-of-way line of the Southern Railway System; thence with the South right-of-way of the Southern Railway System N 63 deg. 33' E 266.6 feet to a point in the center line of Old Kentucky Highway 33 corner to Brown; thence with the center line of Old Kentucky Highway 33 south 30 deg. 45' E 172.5 feet to a point; thence S 23 deg. 10' E 234.0 feet to the point of beginning and containing 1.19 acres more or less as per survey of Charles Thomas R.L.S. #1918 dated the 19th day of November, 1979.

Being the same real property conveyed to the Mortgagor herein by deed of Truman C. Bridges and Joan L. Bridges, his wife, the 4th day of December, 1979, and recorded in Deed Book 200, page 302, in the office of the Mercer County Clerk.

GRANTING CLAUSE TWO

TRACT I: Situated in Mercer County, Kentucky and more particularly described as follows: A parcel of land 130 feet by 50 feet, located adjacent to Kentucky Highway 33, and extending Westward into the property of Campbell; said parcel being more fully described as beginning at a point on the West right-of-way line of Kentucky Highway 33, said point being 175 feet South of a fence corner and 1160 feet, more or less, South from the intersection of Kentucky Highway 33, with Hogue Road; thence for the following calls: South 5 degrees 0 minutes West 50 feet, more or less, along the West right-of-way of Kentucky Highway 33; thence North 85 degrees 0 minutes West 130 feet, more or less; thence North 5 degrees 0 minutes East 50 feet, more or less; thence South 85 degrees 0 minutes East 130 feet, more or less, to the point of the beginning, said parcel containing 0.10 acres.

Being the same property as described in the conveyance recorded in Deed Book 166, page 599, in the Office of the Clerk of Court of Mercer County, Kentucky.

TRACT II and III: Permanent easements with all rights to ingress and egress over the following described property in Mercer County, Kentucky, located on the West side of Highway 33:

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A strip of land, 10 feet wide, lying 5 feet either side of a centerline, which centerline begins at a point designated as Station 0+00 and which point is located 20 feet West of the James L. Campbell East property line and 35 feet North of the centerline extended of Hogue Road; thence parallel to and 20 feet West of the James L. Campbell East property line, a distance of 1,195 feet, more or less, to a point in the North property line of the parcel of real estate above described, which point is designated Station 11+95 on said centerline, and which point is located 20 feet West of the Northeast property corner of the parcel of real estate above described.

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A strip of land 10 feet wide lying 5 feet either side of a centerline, which centerline begins at a point in the South property line of the parcel of real estate above described, which point is designated as Station 12+45 on such centerline, and is located 20 feet West of the Southeast property corner of the parcel of real estate above described; thence parallel to and West of the James L. Campbell East property line a distance of 960 feet, more or less, to a point in the James L. Campbell South property line designated as Station 22+05 on said centerline, which point is located 20 feet West of James L. Campbell Southeast property corner.

Tracts II and III being the same property as described in the conveyance recorded in Deed Book 166, page 599, in the Office of the Clerk of Court of Mercer County, Kentucky.

GRANTING CLAUSE THREE

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, pipeline, 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 Counties of Mercer and Boyle, State of Kentucky, 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.

The property described in Granting Clauses Two and Three is subject to a first and prior lien in favor of the Unites States of America acting through the Farmers Home Administration of the Unites States Department of Agriculture which is dated the 21st day of April, 1970, and was recorded on the 22nd day of April, 1970, at 10:00 A.M., in Mortgage Book 98, page 171, in the office of the Mercer County Clerk, Harrodsburg, 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.

(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).