

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

IN THE MATTER OF:

**ELECTRONIC APPLICATION OF ROWAN )  
WATER, INC., TO ISSUE SECURITIES IN THE )  
APPROXIMATE PRINCIPAL AMOUNT OF )  
\$2,100,000 FOR THE PURPOSE OF REFUNDING ) Case No. 2021 - 00042  
CERTAIN OUTSTANDING INDEBTEDNESS )  
OF THE ASSOCIATION PURSUANT TO THE )  
PROVISIONS OF KRS 278.300 AND 807 KAR 5:001 )**

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

**APPLICATION**

The Applicant, Rowan Water, Inc. ("Rowan Water"), 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 Rowan Water to issue certain securities in the approximate principal sum \$2,450,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness. In support of this Application, and in compliance with the rules and regulations of the Commission, Rowan Water states as follows:

1. Rowan Water is a non-profit water association of Rowan County, created and existing under the provisions of Chapter 273 of the Kentucky Revised Statutes. Rowan Water's Articles of Incorporation were filed with the Kentucky Secretary of State on May 21, 1968, a copy of which is attached hereto as **Exhibit A**. Rowan Water is currently in good standing with the Kentucky

Secretary of State. Rowan Water is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to Rowan Water are incorporated in this Application by reference.

2. The governing body of Rowan Water 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 Rowan Water is as follows:

Rowan Water, Inc.  
c/o Mr. Jerry Patrick, General Manager  
1765 Christy Creek  
Morehead, Kentucky 40351  
Telephone: (606) 784-9818  
Fax: (606) 783-1644  
Email: [rowanwater@windstream.net](mailto:rowanwater@windstream.net)

4. A general description of Rowan Water's system property, together with a statement of the original cost, is contained in its Annual Report for 2019 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. Rowan Water proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement in the estimated principal amount of \$2,450,000 (subject to adjustment of up to 10%) (the "KRWFC Loan"), for the purpose of refunding the outstanding indebtedness of Rowan Water designated as (i) Promissory Note, dated July 19, 1991, in the original principal amount of \$1,298,000, bearing interest at the rate of 5.00% per annum (the "1991 Note"), currently held by the United States Department of Agriculture, acting through Rural Development ("RD"); (ii) Promissory Note, dated September 15, 1992, in the original principal amount of \$386,000, bearing interest at the rate of 5.00% per annum (the "1992 Note"),

currently held by RD; (iii) Promissory Note, dated May 13, 1998, in the original principal amount of \$1,230,000, bearing interest at the rate of 4.50% per annum (the "1998 Note"), currently held by RD; (iv) Promissory Note, dated May 9, 2001, in the original principal amount of \$359,000, bearing interest at the rate of 4.50% per annum (the "2001 Note"), currently held by RD; (v) Promissory Note, dated January 27, 2004, in the original principal amount of \$475,000, bearing interest at the rate of 4.50% per annum (the "2004A Note"), currently held by RD; and (vi) Promissory Note, dated January 27, 2004, in the original principal amount of \$210,200, bearing interest at the rate of 4.50% per annum (the "2004B Note"), currently held by RD (hereinafter, the 1991 Note, the 1992 Note, the 1998 Note, the 2001 Note, the 2004A Note and the 2004B Note shall be 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 Rowan Water 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 present value cashflow savings of approximately \$381,367.56. 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. Rowan Water will not issue the securities if interest rates in the financial markets shift to a point where Rowan Water 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. Rowan Water represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of Rowan Water by producing substantial debt service savings. This is a lawful object within the corporate purposes of the Rowan Water's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by Rowan Water of its service to the public and will not impair its ability to perform that service.

13. Rowan Water 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 Financial Statements for the twelve month period ending on December 31, 2019 are attached hereto and incorporated herein by reference as **Exhibit F** respectively.

15. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; Rowan Water hereby responds as follows:
- (i) Section 12(1)(b): Rowan Water states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material changes to Rowan Water's financial condition have occurred since the end of the twelve (12) month period contained in Rowan Water's most recent annual report on file with the Commission.
  - (ii) Section 12(2)(a), (b) and (c) Stock: Rowan Water does not have any authorized, issued or outstanding stock as of the date hereof.
  - (iii) Section 12(2)(d) Mortgages: Rowan Water's mortgages are attached hereto as **Exhibit G** and are incorporated herein by reference.
  - (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of Rowan Water is contained in the 2019 Annual Report on file with this Commission.
  - (v) Section 12(2)(h) Dividends: Rowan Water has no outstanding stock and therefore pays no dividends.
  - (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.
16. Pursuant to 807 KAR 5:001, Section 18, Rowan Water hereby responds as follows:
- (i) Section 18(1)(a): Rowan Water has complied with the requirements of 807 KAR 5:001, Section 14.
  - (ii) Section 18(1)(b): A general description of Rowan Water's property, its field of operation and a statement of original cost of said property and the cost to

Rowan Water is contained in Rowan Water's 2019 Annual Report on file with this Commission.

- (iii) Section 18(1)(c): Rowan Water is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of Rowan Water's system.
- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to refund the outstanding Prior Loans.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
- (vi) Section 18(1)(f): The details of the refunding of the Prior Loans are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer (see **Exhibit H** attached hereto).
- (viii) Section 18(2)(a): See paragraph #15 above.
- (ix) Section 18(2)(b): Rowan Water does not have any outstanding trust deeds. Copies of Rowan Water's outstanding mortgages are attached hereto as **Exhibit G** and are incorporated herein by reference.
- (x) Section 18(2)(c): No property is being acquired with the proceeds of the KRWFC Loan.

18. No rate adjustment is being requested in connection with this Application.

**WHEREFORE**, Rowan Water respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application;
2. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to Rowan Water by taking full advantage of current low interest rates, Rowan Water requests that the Commission issued its Order as soon as possible; and
3. Process this Application without a formal hearing in order to save time and expense.

Rowan Water will promptly respond to any information requests by the Commission's staff.

Rowan Water, Inc.

By   
President  
1765 Christy Creek  
Morehead, Kentucky 40351  
Phone: (606) 784-9818  
Fax: (606) 783-1644  
[rowanwater@windstream.net](mailto:rowanwater@windstream.net)

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  
[wrijones@rubinhays.com](mailto:wrijones@rubinhays.com)  
Counsel for Rowan Water, Inc.

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF ROWAN            )

The affiant, Larry Johnson, being first duly sworn, states: That he is the President of the Rowan Water, 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 this February 10, 2021.

  
\_\_\_\_\_  
Larry Johnson, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Larry Johnson, President of the Rowan Water, Inc., on this February 10, 2021.

My Commission expires: September 5, 2024.

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

KYNP14002  
\_\_\_\_\_  
NOTARY PUBLIC ID Number

# **EXHIBIT A**

## Articles of Incorporation

ARTICLES OF INCORPORATION

(78-11-01)

OF

ROWAN WATER, INC.

(Name)

MOREHEAD

, 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 ROWAN WATER, INC.

ARTICLE II

REGISTERED OFFICE AND AGENT

The registered office of the corporation shall be at 305 East Main Street Morehead County of Rowan, State of Kentucky; the registered agent at such address is Paul W. Blair.

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,

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 Directors shall be elected for a term of one year; TWO Directors shall be elected for a term of two years; TWO Directors 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:

<u>Name</u>	<u>Address</u>
<u>SHERMAN ARNETT</u>	<u>BOX 178, Clearfield, Kentucky</u>
<u>QUENTON CAUDILL</u>	<u>P.O. Box 3, Morehead, Kentucky</u>
<u>TED COLLINS</u>	<u>STAR ROUTE, CLEARFIELD, Kentucky</u>

properly come before it at such time, shall be held on the third Monday in (day) of each year at the time and place specified by the Board of Directors.

2. Special meetings of the members of this corporation may be called by the President at any time or place within the county upon giving to each of the members a notice in writing mailed to his postal address as it appears in the corporation records at least ten (10) days prior to such meeting; and such meetings shall be called by him at any time upon written demand of the majority of the directors, or of any fifty (50) members, and in case of his neglect or refusal to call such meetings, such directors or members shall unite in calling such meetings, which shall be the same as though called by the President. If the purpose of the meeting is to amend the articles, then the notice of meetings signed by the Secretary shall set forth the proposed amendment in substance. Articles may be amended by a two-thirds vote of the members present at such a meeting or voting by proxy.

#### ARTICLE X

#### INCORPORATORS

The names and addresses of the incorporators are:

<u>Name</u>	<u>Address</u>
<u>SHERMAN ARNETT</u>	<u>Box 178 Clearfield, Kentucky</u>
<u>QUENTON CAUDILL</u>	<u>P.O. Box 3, Morehead, Kentucky</u>
<u>TED COLLINS</u>	<u>Star Route, Clearfield, Kentucky</u>
<u>HENRY I. CLINE</u>	<u>Route # 3, Box 980, Morehead, Kentucky</u>
<u>EUGENE F. WHITE</u>	<u>P.O. Box 206 Morehead, Kentucky</u>

STATE OF KENTUCKY )  
COUNTY OF ROWAN )

On this 20th day of May, 1968, before me  
Paul W. Blair, a Notary Public in and for said County,  
personally appeared Sherman R. Arnett, Quenton Caudill, Ted Collins, Henry  
I. Cline and Eugene F. White

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

(SEAL)

Paul W. Blair  
Notary Public in and for Said County or State

My commission expires:

June 22, 1971

THIS INSTRUMENT PREPARED BY  
Paul W. Blair, Attorney at Law  
Morehead, Kentucky

Paul W. Blair

ORIGINAL COPY  
FILED AND RECORDED

Shirley Beyley

MAY 21 1968

SECRETARY OF STATE OF KENTUCKY  
FRANKFORT, KENTUCKY  
BY Shirley Beyley  
ASSISTANT SECRETARY OF STATE

45032

# Commonwealth of Kentucky

## Department of State



### Office of Secretary of State

ELMER BEGLEY, SECRETARY  
DOMESTIC CORPORATION DEPARTMENT  
NON-STOCK CORPORATION

I, **ELMER BEGLEY**, Secretary of the State of Kentucky,  
hereby certify that Articles of Incorporation of the

ROHAN ENTER, INC. (Morehead, Kentucky)

has this day been filed in my office.

It appearing from said Articles of Incorporation that the said Corporation has no capital stock, and no private pecuniary profit is to be derived therefrom, the said Corporation is not required by law to pay a tax on organization; and it further appearing that the aforesaid Corporation has complied with all the requirements of the law, this certificate is issued as evidence of the fact that the said Corporation is now authorized and empowered to do business in this State under its charter, subject to the restrictions imposed by the statutes of Kentucky.

Given under my hand as Secretary of State,  
this 21st day of May 1968

By Elmer Begley  
Secretary of State



SECRETARY OF STATE

Assistant Secretary of State

# **EXHIBIT B**

## Estimated Debt Service Schedule

**\$2,450,000**

Rowan Water, Inc.  
Kentucky Rural Water Finance Corporation  
Potential Taxable Refunding

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/18/2021	-	-	-	-	-
02/01/2022	105,000.00	3.250%	73,423.44	178,423.44	-
08/01/2022	-	-	36,825.00	36,825.00	-
12/31/2022	-	-	-	-	215,248.44
02/01/2023	145,000.00	3.250%	36,825.00	181,825.00	-
08/01/2023	-	-	34,468.75	34,468.75	-
12/31/2023	-	-	-	-	216,293.75
02/01/2024	150,000.00	3.250%	34,468.75	184,468.75	-
08/01/2024	-	-	32,031.25	32,031.25	-
12/31/2024	-	-	-	-	216,500.00
02/01/2025	155,000.00	3.250%	32,031.25	187,031.25	-
08/01/2025	-	-	29,512.50	29,512.50	-
12/31/2025	-	-	-	-	216,543.75
02/01/2026	160,000.00	3.250%	29,512.50	189,512.50	-
08/01/2026	-	-	26,912.50	26,912.50	-
12/31/2026	-	-	-	-	216,425.00
02/01/2027	165,000.00	3.250%	26,912.50	191,912.50	-
08/01/2027	-	-	24,231.25	24,231.25	-
12/31/2027	-	-	-	-	216,143.75
02/01/2028	170,000.00	3.250%	24,231.25	194,231.25	-
08/01/2028	-	-	21,468.75	21,468.75	-
12/31/2028	-	-	-	-	215,700.00
02/01/2029	175,000.00	3.250%	21,468.75	196,468.75	-
08/01/2029	-	-	18,625.00	18,625.00	-
12/31/2029	-	-	-	-	215,093.75
02/01/2030	180,000.00	3.250%	18,625.00	198,625.00	-
08/01/2030	-	-	15,700.00	15,700.00	-
12/31/2030	-	-	-	-	214,325.00
02/01/2031	185,000.00	3.250%	15,700.00	200,700.00	-
08/01/2031	-	-	12,693.75	12,693.75	-
12/31/2031	-	-	-	-	213,393.75
02/01/2032	115,000.00	3.250%	12,693.75	127,693.75	-
08/01/2032	-	-	10,825.00	10,825.00	-
12/31/2032	-	-	-	-	138,518.75
02/01/2033	95,000.00	2.750%	10,825.00	105,825.00	-
08/01/2033	-	-	9,518.75	9,518.75	-
12/31/2033	-	-	-	-	115,343.75
02/01/2034	100,000.00	2.750%	9,518.75	109,518.75	-
08/01/2034	-	-	8,143.75	8,143.75	-
12/31/2034	-	-	-	-	117,662.50
02/01/2035	100,000.00	2.750%	8,143.75	108,143.75	-
08/01/2035	-	-	6,768.75	6,768.75	-
12/31/2035	-	-	-	-	114,912.50
02/01/2036	105,000.00	2.750%	6,768.75	111,768.75	-
08/01/2036	-	-	5,325.00	5,325.00	-
12/31/2036	-	-	-	-	117,093.75
02/01/2037	105,000.00	3.000%	5,325.00	110,325.00	-
08/01/2037	-	-	3,750.00	3,750.00	-
12/31/2037	-	-	-	-	114,075.00
02/01/2038	40,000.00	3.000%	3,750.00	43,750.00	-
08/01/2038	-	-	3,150.00	3,150.00	-
12/31/2038	-	-	-	-	46,900.00
02/01/2039	40,000.00	3.000%	3,150.00	43,150.00	-
08/01/2039	-	-	2,550.00	2,550.00	-
12/31/2039	-	-	-	-	45,700.00
02/01/2040	40,000.00	3.000%	2,550.00	42,550.00	-
08/01/2040	-	-	1,950.00	1,950.00	-

12/31/2040	-	-	-	-	44,500.00
02/01/2041	45,000.00	3.250%	1,950.00	46,950.00	-
08/01/2041	-	-	1,218.75	1,218.75	-
12/31/2041	-	-	-	-	48,168.75
02/01/2042	25,000.00	3.250%	1,218.75	26,218.75	-
08/01/2042	-	-	812.50	812.50	-
12/31/2042	-	-	-	-	27,031.25
02/01/2043	25,000.00	3.250%	812.50	25,812.50	-
08/01/2043	-	-	406.25	406.25	-
12/31/2043	-	-	-	-	26,218.75
02/01/2044	25,000.00	3.250%	406.25	25,406.25	-
12/31/2044	-	-	-	-	25,406.25
<b>Total</b>	<b>\$2,450,000.00</b>	<b>-</b>	<b>\$687,198.44</b>	<b>\$3,137,198.44</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$22,269.31
Average Life	9.090 Years
Average Coupon	3.0858548%
Net Interest Cost (NIC)	2.5008761%
True Interest Cost (TIC)	2.4108300%
Bond Yield for Arbitrage Purposes	2.5492161%
All Inclusive Cost (AIC)	2.6679712%

### IRS Form 8038

Net Interest Cost	2.1950761%
Weighted Average Maturity	8.928 Years

KRWFC Taxable Refunding | Rowan Water, Inc. | 12/9/2020 | 12:45 PM

Raymond James

# **EXHIBIT C**

## Estimated Sources and Uses of Funds

**\$2,450,000**

Rowan Water, Inc.  
Kentucky Rural Water Finance Corporation  
Potential Taxable Refunding

## Sources & Uses

Dated 02/18/2021 | Delivered 02/18/2021

### Sources Of Funds

Par Amount of Bonds	\$2,450,000.00
Reoffering Premium	173,145.70

**Total Sources** **\$2,623,145.70**

### Uses Of Funds

Total Underwriter's Discount (1.750%)	42,875.00
Costs of Issuance	42,700.00
Deposit to Current Refunding Fund	2,537,260.25
Rounding Amount	310.45

**Total Uses** **\$2,623,145.70**

Raymond James

# **EXHIBIT D**

## Debt Service Comparison

**\$2,450,000**

Rowan Water, Inc.  
Kentucky Rural Water Finance Corporation  
Potential Taxable Refunding

## Debt Service Comparison

Date	Total P+I	Trustee	Net New D/S	Old Net D/S	Savings
12/31/2021	-	-	-	227,169.24	227,169.24
12/31/2022	215,248.44	450.00	215,698.44	227,169.23	11,470.79
12/31/2023	216,293.75	450.00	216,743.75	227,169.22	10,425.47
12/31/2024	216,500.00	450.00	216,950.00	227,169.23	10,219.23
12/31/2025	216,543.75	450.00	216,993.75	227,169.26	10,175.51
12/31/2026	216,425.00	450.00	216,875.00	227,169.25	10,294.25
12/31/2027	216,143.75	450.00	216,593.75	227,169.24	10,575.49
12/31/2028	215,700.00	450.00	216,150.00	227,169.25	11,019.25
12/31/2029	215,093.75	450.00	215,543.75	227,169.23	11,625.48
12/31/2030	214,325.00	450.00	214,775.00	227,169.25	12,394.25
12/31/2031	213,393.75	450.00	213,843.75	227,169.24	13,325.49
12/31/2032	138,518.75	450.00	138,968.75	150,218.32	11,249.57
12/31/2033	115,343.75	450.00	115,793.75	127,722.93	11,929.18
12/31/2034	117,662.50	450.00	118,112.50	127,722.95	9,610.45
12/31/2035	114,912.50	450.00	115,362.50	127,722.95	12,360.45
12/31/2036	117,093.75	450.00	117,543.75	127,722.94	10,179.19
12/31/2037	114,075.00	450.00	114,525.00	127,722.95	13,197.95
12/31/2038	46,900.00	450.00	47,350.00	57,280.29	9,930.29
12/31/2039	45,700.00	450.00	46,150.00	57,280.29	11,130.29
12/31/2040	44,500.00	450.00	44,950.00	57,280.29	12,330.29
12/31/2041	48,168.75	450.00	48,618.75	57,280.29	8,661.54
12/31/2042	27,031.25	450.00	27,481.25	37,587.10	10,105.85
12/31/2043	26,218.75	450.00	26,668.75	37,587.11	10,918.36
12/31/2044	25,406.25	450.00	25,856.25	37,587.12	11,730.87
12/31/2045					
<b>TOTAL</b>	<b>\$3,137,198.44</b>	<b>\$10,800.00</b>	<b>\$3,147,998.44</b>	<b>\$3,629,577.17</b>	<b>\$481,578.73</b>

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	389,262.95
Effects of changes in Expenses	(7,895.39)
Net PV Cashflow Savings @ 2.668%(AIC)	381,367.56
Contingency or Rounding Amount	310.45
Net Present Value Benefit	\$381,678.01
Net PV Benefit / \$2,472,079 Refunded Principal	15.440%
Net PV Benefit / \$2,450,000 Refunding Principal	15.579%

### Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

# **EXHIBIT E**

## Prior Bonds Debt Service

**\$1,298,000**

Rowan Water Inc.

Series 1991 (ESTIMATED)

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	639,186.28	18,554.16	657,740.44	-	-	-	-
07/19/2021	-	-	-	44,991.61	5.000%	31,959.31	76,950.92
07/19/2022	-	-	-	47,241.19	5.000%	29,709.73	76,950.92
07/19/2023	-	-	-	49,603.25	5.000%	27,347.67	76,950.92
07/19/2024	-	-	-	52,083.42	5.000%	24,867.51	76,950.93
07/19/2025	-	-	-	54,687.59	5.000%	22,263.34	76,950.93
07/19/2026	-	-	-	57,421.97	5.000%	19,528.96	76,950.93
07/19/2027	-	-	-	60,293.07	5.000%	16,657.86	76,950.93
07/19/2028	-	-	-	63,307.72	5.000%	13,643.21	76,950.93
07/19/2029	-	-	-	66,473.10	5.000%	10,477.82	76,950.92
07/19/2030	-	-	-	69,796.76	5.000%	7,154.17	76,950.93
07/19/2031	-	-	-	73,286.60	5.000%	3,664.33	76,950.93
<b>Total</b>	<b>\$639,186.28</b>	<b>\$18,554.16</b>	<b>\$657,740.44</b>	<b>\$639,186.28</b>	<b>-</b>	<b>\$207,273.91</b>	<b>\$846,460.19</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	5.905 Years
Average Coupon	4.9999997%
Weighted Average Maturity (Par Basis)	5.905 Years
Weighted Average Maturity (Original Price Basis)	5.905 Years

### Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

Raymond James

**\$386,000**

Rowan Water Inc.

Series 1992 (ESTIMATED)

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	199,382.13	4,236.87	203,619.00	-	-	-	-
09/15/2021	-	-	-	12,526.26	5.000%	9,969.11	22,495.37
09/15/2022	-	-	-	13,152.58	5.000%	9,342.79	22,495.37
09/15/2023	-	-	-	13,810.21	5.000%	8,685.16	22,495.37
09/15/2024	-	-	-	14,500.72	5.000%	7,994.65	22,495.37
09/15/2025	-	-	-	15,225.75	5.000%	7,269.62	22,495.37
09/15/2026	-	-	-	15,987.04	5.000%	6,508.33	22,495.37
09/15/2027	-	-	-	16,786.39	5.000%	5,708.98	22,495.37
09/15/2028	-	-	-	17,625.71	5.000%	4,869.66	22,495.37
09/15/2029	-	-	-	18,507.00	5.000%	3,988.37	22,495.37
09/15/2030	-	-	-	19,432.35	5.000%	3,063.02	22,495.37
09/15/2031	-	-	-	20,403.96	5.000%	2,091.41	22,495.37
09/15/2032	-	-	-	21,424.16	5.000%	1,071.21	22,495.37
<b>Total</b>	<b>\$199,382.13</b>	<b>\$4,236.87</b>	<b>\$203,619.00</b>	<b>\$199,382.13</b>	<b>-</b>	<b>\$70,562.31</b>	<b>\$269,944.44</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	6.653 Years
Average Coupon	4.9999996%
Weighted Average Maturity (Par Basis)	6.653 Years
Weighted Average Maturity (Original Price Basis)	6.653 Years

### Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

**\$1,230,000**

Rowan Water Inc.

Series 1998 (ESTIMATED)

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	824,685.59	28,348.57	853,034.16	-	-	-	-
05/13/2021	-	-	-	33,331.80	4.500%	37,110.85	70,442.65
05/13/2022	-	-	-	34,831.73	4.500%	35,610.92	70,442.65
05/13/2023	-	-	-	36,399.16	4.500%	34,043.49	70,442.65
05/13/2024	-	-	-	38,037.12	4.500%	32,405.53	70,442.65
05/13/2025	-	-	-	39,748.79	4.500%	30,693.86	70,442.65
05/13/2026	-	-	-	41,537.49	4.500%	28,905.16	70,442.65
05/13/2027	-	-	-	43,406.67	4.500%	27,035.98	70,442.65
05/13/2028	-	-	-	45,359.97	4.500%	25,082.68	70,442.65
05/13/2029	-	-	-	47,401.17	4.500%	23,041.48	70,442.65
05/13/2030	-	-	-	49,534.22	4.500%	20,908.43	70,442.65
05/13/2031	-	-	-	51,763.26	4.500%	18,679.39	70,442.65
05/13/2032	-	-	-	54,092.61	4.500%	16,350.04	70,442.65
05/13/2033	-	-	-	56,526.78	4.500%	13,915.87	70,442.65
05/13/2034	-	-	-	59,070.48	4.500%	11,372.17	70,442.65
05/13/2035	-	-	-	61,728.66	4.500%	8,714.00	70,442.66
05/13/2036	-	-	-	64,506.44	4.500%	5,936.21	70,442.65
05/13/2037	-	-	-	67,409.24	4.500%	3,033.42	70,442.66
<b>Total</b>	<b>\$824,685.59</b>	<b>\$28,348.57</b>	<b>\$853,034.16</b>	<b>\$824,685.59</b>	<b>-</b>	<b>\$372,839.48</b>	<b>\$1,197,525.07</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	9.283 Years
Average Coupon	4.5000002%
Weighted Average Maturity (Par Basis)	9.283 Years
Weighted Average Maturity (Original Price Basis)	9.283 Years

### Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

**\$359,000**

Rowan Water Inc.

Series 2001 (ESTIMATED)

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	263,981.72	9,206.36	273,188.08	-	-	-	-
05/09/2021	-	-	-	7,814.01	4.500%	11,879.18	19,693.19
05/09/2022	-	-	-	8,165.64	4.500%	11,527.55	19,693.19
05/09/2023	-	-	-	8,533.09	4.500%	11,160.09	19,693.18
05/09/2024	-	-	-	8,917.08	4.500%	10,776.10	19,693.18
05/09/2025	-	-	-	9,318.35	4.500%	10,374.84	19,693.19
05/09/2026	-	-	-	9,737.68	4.500%	9,955.51	19,693.19
05/09/2027	-	-	-	10,175.87	4.500%	9,517.31	19,693.18
05/09/2028	-	-	-	10,633.79	4.500%	9,059.40	19,693.19
05/09/2029	-	-	-	11,112.31	4.500%	8,580.88	19,693.19
05/09/2030	-	-	-	11,612.36	4.500%	8,080.83	19,693.19
05/09/2031	-	-	-	12,134.92	4.500%	7,558.27	19,693.19
05/09/2032	-	-	-	12,680.99	4.500%	7,012.20	19,693.19
05/09/2033	-	-	-	13,251.63	4.500%	6,441.55	19,693.18
05/09/2034	-	-	-	13,847.96	4.500%	5,845.23	19,693.19
05/09/2035	-	-	-	14,471.11	4.500%	5,222.07	19,693.18
05/09/2036	-	-	-	15,122.31	4.500%	4,570.87	19,693.18
05/09/2037	-	-	-	15,802.82	4.500%	3,890.37	19,693.19
05/09/2038	-	-	-	16,513.94	4.500%	3,179.24	19,693.18
05/09/2039	-	-	-	17,257.07	4.500%	2,436.11	19,693.18
05/09/2040	-	-	-	18,033.64	4.500%	1,659.55	19,693.19
05/09/2041	-	-	-	18,845.15	4.500%	848.03	19,693.18
<b>Total</b>	<b>\$263,981.72</b>	<b>\$9,206.36</b>	<b>\$273,188.08</b>	<b>\$263,981.72</b>	<b>-</b>	<b>\$149,575.18</b>	<b>\$413,556.90</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	11.816 Years
Average Coupon	4.4999998%
Weighted Average Maturity (Par Basis)	11.816 Years
Weighted Average Maturity (Original Price Basis)	11.816 Years

### Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

**\$475,000**

Rowan Water Inc.

Series 2004 A (ESTIMATED)

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	377,700.62	3,352.09	381,052.71	-	-	-	-
12/07/2021	-	-	-	9,059.92	4.500%	16,996.53	26,056.45
12/07/2022	-	-	-	9,467.61	4.500%	16,588.83	26,056.44
12/07/2023	-	-	-	9,893.65	4.500%	16,162.79	26,056.44
12/07/2024	-	-	-	10,338.87	4.500%	15,717.57	26,056.44
12/07/2025	-	-	-	10,804.12	4.500%	15,252.33	26,056.45
12/07/2026	-	-	-	11,290.30	4.500%	14,766.14	26,056.44
12/07/2027	-	-	-	11,798.37	4.500%	14,258.08	26,056.45
12/07/2028	-	-	-	12,329.29	4.500%	13,727.15	26,056.44
12/07/2029	-	-	-	12,884.11	4.500%	13,172.33	26,056.44
12/07/2030	-	-	-	13,463.90	4.500%	12,592.55	26,056.45
12/07/2031	-	-	-	14,069.77	4.500%	11,986.67	26,056.44
12/07/2032	-	-	-	14,702.91	4.500%	11,353.53	26,056.44
12/07/2033	-	-	-	15,364.54	4.500%	10,691.90	26,056.44
12/07/2034	-	-	-	16,055.95	4.500%	10,000.50	26,056.45
12/07/2035	-	-	-	16,778.47	4.500%	9,277.98	26,056.45
12/07/2036	-	-	-	17,533.50	4.500%	8,522.95	26,056.45
12/07/2037	-	-	-	18,322.50	4.500%	7,733.94	26,056.44
12/07/2038	-	-	-	19,147.02	4.500%	6,909.43	26,056.45
12/07/2039	-	-	-	20,008.63	4.500%	6,047.81	26,056.44
12/07/2040	-	-	-	20,909.02	4.500%	5,147.42	26,056.44
12/07/2041	-	-	-	21,849.93	4.500%	4,206.52	26,056.45
12/07/2042	-	-	-	22,833.17	4.500%	3,223.27	26,056.44
12/07/2043	-	-	-	23,860.67	4.500%	2,195.78	26,056.45
12/07/2044	-	-	-	24,934.40	4.500%	1,122.05	26,056.45
<b>Total</b>	<b>\$377,700.62</b>	<b>\$3,352.09</b>	<b>\$381,052.71</b>	<b>\$377,700.62</b>	<b>-</b>	<b>\$247,654.05</b>	<b>\$625,354.67</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	14.374 Years
Average Coupon	4.500000%
Weighted Average Maturity (Par Basis)	14.374 Years
Weighted Average Maturity (Original Price Basis)	14.374 Years

### Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

**\$210,200**

Rowan Water Inc.

Series 2004 B (ESTIMATED)

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	167,142.47	1,483.39	168,625.86	-	-	-	-
12/07/2021	-	-	-	4,009.25	4.500%	7,521.41	11,530.66
12/07/2022	-	-	-	4,189.67	4.500%	7,340.99	11,530.66
12/07/2023	-	-	-	4,378.20	4.500%	7,152.46	11,530.66
12/07/2024	-	-	-	4,575.22	4.500%	6,955.44	11,530.66
12/07/2025	-	-	-	4,781.11	4.500%	6,749.56	11,530.67
12/07/2026	-	-	-	4,996.26	4.500%	6,534.41	11,530.67
12/07/2027	-	-	-	5,221.09	4.500%	6,309.57	11,530.66
12/07/2028	-	-	-	5,456.04	4.500%	6,074.63	11,530.67
12/07/2029	-	-	-	5,701.56	4.500%	5,829.10	11,530.66
12/07/2030	-	-	-	5,958.13	4.500%	5,572.53	11,530.66
12/07/2031	-	-	-	6,226.24	4.500%	5,304.42	11,530.66
12/07/2032	-	-	-	6,506.43	4.500%	5,024.24	11,530.67
12/07/2033	-	-	-	6,799.21	4.500%	4,731.45	11,530.66
12/07/2034	-	-	-	7,105.18	4.500%	4,425.48	11,530.66
12/07/2035	-	-	-	7,424.91	4.500%	4,105.75	11,530.66
12/07/2036	-	-	-	7,759.03	4.500%	3,771.63	11,530.66
12/07/2037	-	-	-	8,108.19	4.500%	3,422.47	11,530.66
12/07/2038	-	-	-	8,473.06	4.500%	3,057.60	11,530.66
12/07/2039	-	-	-	8,854.35	4.500%	2,676.32	11,530.67
12/07/2040	-	-	-	9,252.79	4.500%	2,277.87	11,530.66
12/07/2041	-	-	-	9,669.17	4.500%	1,861.49	11,530.66
12/07/2042	-	-	-	10,104.28	4.500%	1,426.38	11,530.66
12/07/2043	-	-	-	10,558.97	4.500%	971.69	11,530.66
12/07/2044	-	-	-	11,034.13	4.500%	496.54	11,530.67
<b>Total</b>	<b>\$167,142.47</b>	<b>\$1,483.39</b>	<b>\$168,625.86</b>	<b>\$167,142.47</b>	<b>-</b>	<b>\$109,593.43</b>	<b>\$276,735.90</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	14.374 Years
Average Coupon	4.4999999%
Weighted Average Maturity (Par Basis)	14.374 Years
Weighted Average Maturity (Original Price Basis)	14.374 Years

### Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

# **EXHIBIT F**

## Financial Statements

**Rowan Water, Inc.**  
*Statements of Financial Position*  
*As of December 31, 2019 and December 31, 2018*

	2019	2018
Assets:		
Current Assets		
Cash and cash equivalents	\$472,475	\$521,117
Accounts receivable customers (net of allowances for uncollectibles of \$17,025 and \$20,629, respectively)	280,034	300,375
Inventory	129,951	138,403
Total current assets	882,460	959,895
Other Assets		
Restricted cash	335,943	380,661
Utility deposits	1,045	1,045
Total other assets	336,988	381,706
Property, Plant and Equipment		
Land and land rights	220,715	220,715
Building	899,538	899,538
Pumping plant	1,338,729	1,338,729
Transmission and distribution lines	17,805,159	16,373,310
Office furniture, fixtures and equipment	64,369	64,369
Machinery and equipment	705,456	708,733
Construction work in progress	0	1,449,304
	21,033,966	21,054,698
Less: accumulated depreciation	(10,444,804)	(10,153,953)
Property, plant and equipment (net)	10,589,162	10,900,745
Total assets	\$11,808,610	\$12,242,346

(continued)

See accompanying notes to the financial statements.

**Rowan Water, Inc.**  
**Statements of Activities**  
For the Year Ended December 31, 2019  
(With Summarized Information For the Year Ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains and other support:				
Water sales	\$2,889,030	\$0	\$2,889,030	\$2,923,521
Federal grants in aid of construction	0	70,702	70,702	403,298
Membership fees	1,265	0	1,265	448
Interest income	10,521	0	10,521	7,484
Gain on sale of assets	8,750	0	8,750	0
Miscellaneous	184,512	0	184,512	139,547
Support provided by expiring purpose restrictions	115,687	(115,687)	0	0
Total revenues, gains and other support	3,209,765	(44,985)	3,164,780	3,474,298
Expenses:				
Program services				
Supply operations	1,332,616	0	1,332,616	1,127,647
Transmission and distribution	1,517,657	0	1,517,657	1,490,262
Total program expenses	2,850,273	0	2,850,273	2,617,909
Supporting services				
Administration and general	776,285	0	776,285	776,812
Total expenses	3,626,558	0	3,626,558	3,394,721
Change in net assets	(416,793)	(44,985)	(461,778)	79,577
Net assets, beginning of year	6,471,464	44,985	6,516,449	6,436,872
Net assets, end of year	<u>\$6,054,671</u>	<u>\$0</u>	<u>\$6,054,671</u>	<u>\$6,516,449</u>

See accompanying notes to the financial statements.

**Rowan Water, Inc.**  
*Statement of Functional Expenses*  
For the Year Ended December 31, 2018

	Program Services			Supporting Services	
	Supply Operations	Transmission & Distribution	Total	Administration & General	Total Expenses
Salaries-employees	\$0	\$338,828	\$338,828	\$216,627	\$555,455
Board member fees	0	0	0	24,483	24,483
Employee retirement and benefits	0	217,838	217,838	139,274	357,112
Payroll tax expense	0	19,424	19,424	12,419	31,843
Purchased water	1,127,647	0	1,127,647	0	1,127,647
Purchased power	0	122,448	122,448	0	122,448
Materials and supplies	0	156,857	156,857	14,256	171,113
Contractual services-accounting	0	0	0	13,525	13,525
Contractual services-legal	0	5,110	5,110	0	5,110
Contractual services-water	0	22,140	22,140	0	22,140
Contractual services-other	0	19,178	19,178	0	19,178
Transportation expenses	0	51,088	51,088	0	51,088
Insurance	0	0	0	47,127	47,127
Bad debt expense	0	0	0	17,784	17,784
Miscellaneous expenses	0	38,741	38,741	77,847	116,588
Interest expense	0	0	0	203,248	203,248
Depreciation expense	0	498,610	498,610	10,222	508,832
	<u>\$1,127,647</u>	<u>\$1,490,262</u>	<u>\$2,617,909</u>	<u>\$776,812</u>	<u>\$3,394,721</u>

See accompanying notes to the financial statements.

# **EXHIBIT G**

## Outstanding Mortgages

91-12

REAL ESTATE MORTGAGE FOR KENTUCKY

BOOK A83  
page 435-451

91-14 THIS MORTGAGE is made and entered into by Rowan Water, Inc., a Kentucky Corporation  
110 Hargis Ave., Morehead, KY 40351

residing in Rowan County, Kentucky, whose p  
address is 110 Hargis Avenue, Morehead, Kentucky 40351  
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 notes or assumption agreement(s) or any shared appreciation or recapture agreement, herein called "note," which have been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness if 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 Installment</u>
7/19/91	1,298,000.00	5%	7/19/92
9/15/92	386,000.00	5%	9/15/93

This mortgage is a second mortgage on Tracts 1-24, inclusive, inferior only first mortgage to First Security National Bank and Trust Company, Lexington, KY dated July 29, 1986, of record in Mortgage Book A-66, Page 390, Rowan County KY and recorded in Mortgage Book 98, Page 206, Fleming County Records.

(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 its payment thereof pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949, or 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 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 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 payment of the note and any renewals and extensions thereof and any agreements contained therein, including any agreement 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 advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of the covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby convey and assign, with general warranty, unto the Government the following property situated in the State of Kentucky:

County(ies) of Rowan

SEE ATTACHED SCHEDULE "A"

RECORDED  
1100006200

1100006200

RECORDED

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, and hereditaments and appurtenances thereunto belonging, the rents, issues and profits thereof and revenues and income from, 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 owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest in all of which are herein called "the property"; All rents, profits and income from the property covered by this instrument are hereby assigned to the mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby granted to the mortgagor, so long as no default exist hereunder, to collect such rents, profits and income for use in accordance with 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 WARRANT 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 hold the Government harmless against any loss under its insurance of payment of the note by reason of any default by Borrower; all times when the note is held by an insured holder, Borrower shall continue to make payments on the note to the holder, 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 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 charges 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 be 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 by the property. 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 that 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 against the property, including all charges and assessments in connection with water, water rights and water stock and to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and 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 regulations as the Government from time to time may prescribe, and not to abandon the property, or cause or permit waste, or impairment of the security covered hereby, or without the written consent of the Government, cut, remove, or otherwise dispose of 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 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 survey of the property, costs of recording this and other instruments, attorneys' fees, trustees' fees, court costs, and costs of advertising, selling, and conveying the property. Upon termination of this mortgage, after payment in full, the mortgagor shall pay the mortgagor's expense, shall execute and file or record such instruments of release, satisfaction and termination 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 the 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 hereof, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no 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 amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity date and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government 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 and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or the mortgagor's liability to the Government for payment of the note or debt secured by this instrument unless the Government otherwise in writing. HOWEVER, any forbearance by the Government—whether once or often—in exercising any 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 private credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for a such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock 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 security instrument held or insured by the Government and executed or assumed by Borrower, and default under any other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or under this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any 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 and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) apply for 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 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 incurred in 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) any other indebtedness required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness to the Government owing to or insured by the Government, and (f) any balance to Borrower. At foreclosure or other sale of a 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) prohibiting valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing a statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) imposing 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 laws 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 rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized by Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will make the dwelling unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce 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 be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands into 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 any 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, 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, the invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision.

Given under the hand(s) and seal(s) of Borrower this 15th day of September, 1992.  
ROWAN WATER, INC.  
BY: Sherman Arnett (SI)  
SHERMAN ARNETT, PRESIDENT  
Henry Cline (SI)  
HENRY CLINE, SECRETARY

STATE OF KENTUCKY }  
COUNTY OF ROWAN } ss:

Before me, \_\_\_\_\_, a Notary Public in an  
the County of Rowan personally appeared Sherman Arnett, President  
and Henry Cline, Secretary; of Rowan Water, Inc., who  
who acknowledged that they executed the foregoing instrument on the 15th  
day of September, 1992, as their free act and deed.

WITNESS my hand and official seal this 15th day of September, 1992.  
(SEAL) J. T. Dehner Notary Public  
My commission expires: 9/20/1994

**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  
LAW OFFICE OF DEHNER & BARKER (name)  
206 EAST MAIN STREET, MOREHEAD, KY 40351 (address)  
J. T. Dehner (Signature)

**RECORDER'S CERTIFICATE**

STATE OF KENTUCKY }  
COUNTY OF ROWAN } ss:

I, Jean W. Bailey, Clerk of the County Court for the County aforesaid, do certify that the foregoing mortgage was on the 15 day of September, 1992, lodged for recording at 3:45 o'clock P. M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my records.  
Given under my hand this 15 day of September, 1992.

JEAN W. BAILEY  
Clerk of Rowan County  
By Jami Campbell

TRACT 1

A certain tract or parcel of land located in Rowan County, Kentucky, and approximately 5 miles North of the City of Morehead, Kentucky, near Ky. Highway # 32 beginning at a corner in a barbed wire fence, said corner being on the property line of Wilbur Hardin and Clyde Bruce; thence southwest for 25 feet with the Clyde Bruce line; thence northwest for 40 feet; thence northeast for 25 feet; thence southeast for 40 feet with the line of Clyde Bruce to the point of beginning.

Being the same property conveyed to Rowan Water, Inc., by deed from Wilbur Hardin and wife, Violet Hardin, dated July 11, 1969, and recorded July 21, 1969, in Deed Book 90, Page 3, Rowan County Clerk's Office.

TRACT 2

A certain tract or parcel of land located in Rowan County, Kentucky and more particularly described as follows: Being on Highway U.S. 60, approximately one mile west of the city of Morehead, Kentucky, beginning 2 feet Southwest of a black ~~oak~~<sup>oak</sup> tree, said tree being approximately 200 feet South of the right of way of U.S. 60 and 5 feet East of the right of way of the Bronson Switch Road; thence East for a distance of 10 feet; thence South for a distance of 10 feet; thence West for a distance of 10 feet; thence North for a distance of 10 feet to the point of beginning.

Being the same property conveyed to Rowan Water, Inc., by deed from Clarence Baldrige and wife, Bethel Baldrige, dated July 14, 1969, and recorded July 21, 1969, in Deed Book 90, Page 5, Rowan County Clerk's Office.

TRACT 3

A certain tract or parcel of land located in Rowan County, Kentucky and located near Highway U.S. 60, 1/4 mile West of the Rowan-Carter County line and more particularly described as follows: Beginning at a corner, said corner being the property line of Allie Parker, Vernon Hamilton, and Grantors; thence running one hundred (100) feet in an Easterly direction with property line of Grantors and Vernon Hamilton; thence at a right angle for one hundred (100) feet in a Northerly direction; thence at a right angle for one hundred (100) feet in a Westerly direction to the property line of Grantors and Allie Parker; thence at a right angle one hundred (100) feet with the property line of Grantors and Allie Parker to the point of beginning. Also granted herein is the perpetual right of easement from Highway U.S. 60 to the property herein conveyed along and over the property of Grantors, said easement being 12 feet in width.

TRACT 4

A certain tract or parcel of land located in Rowan County, Kentucky, and being 2 miles North of the City of Morehead, Kentucky, near Ky. Highway #32 beginning at a hickory tree approximately 23 feet West of the right of way of the Braton Branch Road; thence South 10 feet; thence East 23 feet to the right of way of the Braton Branch Road; thence North with said right of way for 10 feet; thence West 23 feet to the point of beginning.

Being the same property conveyed to Rowan Water, Inc., by deed from J. C. Wells and wife, Celia R. Wells, dated July 15, 1969, and recorded July 21, 1969, in Deed Book 90, Page 11, Rowan County Clerk's Office.

TRACT 5

A certain tract or parcel of land located in Rowan County, Kentucky, and located on Highway U.S. 60 east of the City of Morehead, Kentucky, beginning on the property line between Charles Mabry and wife, and Elton H. Johnson and wife, and approximately 89 feet N.W. of the right of way of Highway U.S. 60; thence with said property line N.W. for a distance of 25 feet; thence at a right angle N.E. for a distance of 30 feet; thence at a right angle for a distance of 25 feet S.E.; thence at a right angle S.W. for a distance of 30 feet to the beginning.

Also granted herein is the perpetual right of way and easement for laying, maintaining and replacing and repairing a water line, said water line to be laid on the property line between Charles Mabry and wife, and Elton H. Johnson and said easement to be six (6) feet in width and parallel to and east of said property line.

Being the same property conveyed to Rowan Water, Inc., by deed from Charles Mabry and wife, Carrie Mabry, dated December 23, 1969, and recorded December 29, 1969, in Deed Book 90, Page 886, Rowan County Clerk's Office.

TRACT 6

A certain tract or parcel of land lying and being in Rowan County, Kentucky, and being a part of what is known as the "Perry Farm Lands" and more particularly described as follows: A certain tract or parcel of land lying and being on the Southwest side of Kentucky Highway No. 32 and beginning at a point, which point is the Northwest corner of the property which is leased by the Grantors herein to East Kentucky Paving Corporation and which point lies 6 feet east of the edge of the black top pavement on the Point Road; thence in an easterly direction with the line of the property leased to said East Kentucky Paving Corporation for a distance of 10 feet; thence at a right angle in a northerly direction for a distance of 10 feet; thence at a right angle in a westerly direction for a distance of 10 feet; thence at

TRACT 7

A certain tract or parcel of land lying and being in Rowan County, Kentucky, in the area known as Elliottville, Kentucky, and more particularly described as follows: Beginning at a point being on the property line between the property of Grantors and the McBrayer Cemetery (which is also known as the Adkins Cemetery, the Scaggs Cemetery, and the Puckett Cemetery) said point also being on the property line between the Grantors and A.H. (Hardy) Jones; thence in an Easterly direction with the property line of said McBrayer Cemetery for a distance of 75 feet; thence at a right angle in a Southerly direction for a distance of 75 feet; thence at a right angle in a Westerly direction for a distance of 75 feet to the property line of Jones; thence in a Northerly direction with the property line of Jones for a distance of 75 feet to the point of beginning. The Grantee shall also have access to the property herein conveyed by right of ingress and egress over the existing road known as the McBrayer Cemetery Road to Kentucky Highway No. 32. The grantee shall repair all damages caused to said road by or because of Grantee's use of said road.

Being the same property conveyed to Rowan Water, Inc., by deed from Curt Lewis and wife, Lucy Lewis, dated July 28, 1971, and recorded July 29, 1971, in Deed Book 94, Page 300, Rowan County Clerk's Office.

TRACT 8

A certain tract or parcel of land lying and being in Rowan County, Kentucky, and more particularly described as follows: A certain tract or parcel of land lying and being approximately three and one half miles South of the City of Morehead, Kentucky, near Kentucky Highway No. 32 and being on the South side of Christy Creek: Beginning at a point on the North side of the road which runs from the Grantors residence to Kentucky Highway No. 32, said point being 3 feet East of the property line between the Grantors and Roger Johnson; thence in a Northerly direction running parallel with and 3 feet East of the property line of said Roger Johnson for a distance of 25 feet; thence in an Easterly direction at a right angle for a distance of 25 feet; thence in a Southerly direction at a right angle for a distance of 25 feet; thence in a Westerly direction at a right angle for a distance of 25 feet to the point of beginning. Also granted herein is the right of access to said property by way of ingress and egress over an existing road of said Grantors to Kentucky Highway No. 32.

Being the same property conveyed to Rowan Water, Inc., by deed from Marvin Johnson, single; and his mother, Maude Johnson, a widow, dated July 28, 1971, and recorded July 29, 1971, in Deed Book 94, Page 302, Rowan County Clerk's Office.

TRACT 9

Tract # 1: A certain tract or parcel of land, situated, lying and being in the City of Morehead, Rowan County, Kentucky, and more particularly described as follows: Situated on the street leading from Main Street at J. G. Whitt's corner to Railroad Street, and fronting thereon forty feet and extending back to a depth of 125 feet to an alley. Being what was designated as Tract No. 18, lot 40 x 125 feet on Mill Street, now Hargis, and with dwelling thereon as set apart in the description of land belonging to S. M. Bradley in proceeding in bankruptcy, and joined by Henry Cox on the Northwest and lot of H. M. Meadows on the Southeast.

Tract # 2: A certain lot or parcel of land lying and being on Hargis Avenue and Railroad Street in the City of Morehead, Rowan County, Kentucky, and particularly described as follows: BEGINNING at a concrete marker on Hargis Avenue and at the South corner of the lot formerly owned by William Fultz; thence with the line of the lot formerly owned by William Fultz N.  $32^{\circ} 45'$  E. 119.5 feet to a concrete marker in the line of Clyde Bruce; thence with the line of Clyde Bruce S.  $57^{\circ} 58'$  E. 64.5 feet to a lead plug in sidewalk on railroad street; thence with Railroad Street S.  $30^{\circ} 22'$  W. 131.5 feet to a lead plug in sidewalk on Railroad Street; thence with Railroad Street S.  $30^{\circ} 22'$  W. 131.5 feet to a lead plug in sidewalk on Hargis Avenue; thence with Hargis Avenue N.  $48^{\circ} 30'$  W. 72.0 feet to the point of beginning.

Being the same property conveyed to Rowan Water, Inc., by deed from Ollie Barker and wife, Wanda Barker, dated July 19, 1977, and recorded July 20, 1977, in Deed Book 109, Page 690, Rowan County Clerk's Office.

TRACT 10

A certain tract or parcel of land, lying and being in Rowan County, Kentucky just east of Bratton Branch Road and more particularly described as follows:

BEGINNING at an iron pin in the fence east of Bratten Branch Road, said pin being N  $64^{\circ} 06'$  W - 37.27' from an iron pin the northwest property corner of the Bible Baptist Church. Thence N  $64^{\circ} 06'$  W - 4.00'

TRACT 11

"A certain tract or parcel of land lying and being in the County of Rowan, Commonwealth of Kentucky, and being more particularly bounded and described as follows:

BEGINNING at a stake in the center of a dirt road, line common with Loretta Cassidy and John Jackson, said stake being N 83° 54' E 26.3 feet from a stake in the center of the road, last mentioned stake being corner common to Cassidy, Jackson and David Porter; thence S 53° 38' 00" E 80.18 feet to an iron pin; thence N 36° 22' 00" E 25.0 feet to a stake in the center of a dirt road, line common with John Jackson; thence with the line of Jackson and Cassidy two (2) calls; N 56° 40' 38" W 55.7 feet to a stake, S 84° 27' 29" W 33.0 feet to the point of beginning and containing 0.036 acres."

Being the same property conveyed to Rowan Water, Inc., by deed from Loretta Cassidy, a single person, dated March 22, 1982, and recorded May 17, 1982, in Deed Book 125, Page 369, Rowan County Clerk's Office.

TRACT 12

"A certain tract or parcel of land lying and being in the County of Rowan, Commonwealth of Kentucky, and being more particularly bounded and described as follows:

BEGINNING at a Kentucky Highway Department Right-of-Way marker (Sta. 306+00) on the west side of KY 32, said marker being 130+ feet north of the intersection of KY 785 with KY 32; thence with the highway right-of-way North 84° 05' 31" West 90.0 feet to a set iron pin; thence leaving the highway right-of-way South 32° 03' 45" East 144.28 feet to a set iron pin; thence South 15° 17' 01" East 184.91 feet to a set iron pin; thence South 80° 55' 38" East 110.0 feet to a set iron pin in the northwest property line of Ralph Derrickson; thence with the line of Derrickson North 56° 49' 08" East 115.0 feet to a set iron pin in the west right-of-way of KY 32; thence with the highway right-of-way North 44° 23' 57" West 344.0 feet to the point of beginning and containing 1.009 acres."

TRACT 13

A certain tract of land lying in the County right-of-way off Bluestone Road and on the east side of Bluestone Road approximately 480 feet from the intersection of Bluestone Road and Trademore Shopping Center entrance. Said tract of land being 6 feet, 8 inches by 10 feet (6'8" x 10') square.

Being the same property conveyed to Rowan Water, Inc., by deed from Rowan Fiscal Court, dated March 3, 1983, and recorded March 4, 1983, in Deed Book 127, Page 180, Rowan County Clerk's Office.

TRACT 14

Beginning at a point in the south right-of-way of KY 377 and in an existing wire fence, said point being South 27° West a distance of 84 feet from the center of KY 377 opposite the center of Rock Fork Road; thence South 42° 32' East a distance of 25.00 feet; thence South 47° 28' West a distance of 25.00 feet; thence North 42° 32' West a distance of 25.00 feet to the south right-of-way of KY 377 and in an existing fence; thence with the highway right-of-way North 47° 28' East a distance of 25.00 feet to the point of beginning and containing 0.0143 acres.

Also conveyed herein is a permanent easement for access, ingress and egress, twelve (12) feet in width lying six (6) feet on each side of the following described centerline:

Beginning at a point in the south right-of-way of KY 377 and in the center of an existing dirt road or drive, said point of beginning being North 76° East a distance of 66 feet from the center of KY 377 opposite the center of Rock Fork Road; thence leaving the existing road or drive and with a curve to the right having a radius of 25 feet a chord bearing of South 17° 03' West a distance of 47.07 feet; thence with a curve to the left having a radius of 25 feet a chord bearing of South 88° 04' West a distance of 29.72 feet; thence South 47° 28' West a distance of 74 feet +/- to a point in the northeast line of the aforescribed Pump Station Parcel and lying on the south side of the

The consideration hereinabove recited shall constitute payment in full for any and all damages to the land of the Grantors, successors and assigns, by reason of the construction, installation, repair, maintenance, inspection and replacement of the waterline or lines.

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however, be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water, Inc., by Deed of Conveyance and Easement from Otie Pennington, a widow, dated October 8, 1985, and recorded February 25, 1986, in Deed Book 137, Page 162, Rowan County Clerk's Office

#### TRACT 15

Beginning at a fence post in the north right-of-way of the 3-C Trail, said post being North  $87^{\circ} 59'$  West 92.4 feet from a set nail in the center of the 3-C Trail from the intersection of KY 32 near Elliottville, Kentucky; thence with the north right-of-way of the 3-C Trail South  $78^{\circ} 14'$  West a distance of 25 feet; thence leaving the highway right-of-way North  $11^{\circ} 46'$  West a distance of 25 feet; thence North  $78^{\circ} 14'$  East a distance of 25 feet; thence South  $11^{\circ} 46'$  East a distance of 25 feet to the point of beginning and containing 0.0143 acre.

Being the same property conveyed to Rowan Water, Inc., by deed from Clayton Turner and wife, Virginia M. Turner, dated October 1, 1985, and recorded February 25, 1986, in Deed Book 137, Page 165, Rowan County Clerk's Office.

#### TRACT 16

##### 1. ACCESS AGREEMENT:

A permanent access road easement twenty-five (25) feet in width and lying adjacent to, parallel with, and northeast of the entire southwest property line of Phillips, line common to Walling, White and Mabry (now or formerly), for a distance of approximately 363' from the R/W of an existing gravel road to the property line of McDaniel, thence lying

2. WATER LINE EASEMENT:

Being a permanent easement for access, ingress and egress, and for the construction and maintenance of a water line, said easement being twelve (12) feet in width, and lying six (6) feet on each side of the following described centerline:

Beginning at a point in the west edge of an existing gravel road, said point of beginning being located N 53° 07' 27" W, 7.25' from an iron pin in the center of the road (pin 83.6' from a nail at the center of a bridge over Duff Branch), said point of beginning also being located 600' ± from Rock Fork Road; from said point of beginning, thirteen (13) calls:

thence N 53 degrees 07 minutes 27 seconds West 40.0' to a nail in an 8" tree stump;  
thence North 65 degrees 28 minutes 55 seconds West 103.51' to a stake;  
thence North 63 degrees 00 minutes 28 seconds West 54.15' to a stake;  
thence North 41 degrees 05 minutes 20 seconds West 66.73' to a stake;  
thence North 37 degrees 38 minutes 15 seconds West 62.10' to a stake;  
thence North 33 degrees 49 minutes 32 seconds West 24.36' to a stake;  
thence North 23 degrees 19 minutes 18 seconds West 32.14' to a stake;  
thence North 04 degrees 36 minutes 10 seconds West 33.71' to a stake;  
thence North 02 degrees 34 minutes 44 seconds West 59.76' to a stake;  
thence North 12 degrees 03 minutes 02 seconds West 89.33' to a stake;  
thence North 18 degrees 01 minutes 56 seconds West 123.83' to a stake;  
thence North 17 degrees 33 minutes 15 seconds West 123.77' to a stake;  
thence N 20 degrees 41 minutes 02 seconds West 50.12' to a point in the property line of Glen Williams, said point being located S 48° 37' 57" W, 26.28' from an iron rod and axle at the centerline of the ridge, property corner common to White, Williams and Zorne, as shown on plat recorded in Plat Book 2, Page 92, in the Office of the Clerk of Rowan County, Kentucky.

This easement shall be a perpetual easement, and the Grantee shall have the right to construct, install, lay and thereafter use, operate, inspect, repair, maintain, remove and replace waterlines located within said easement.

The consideration hereinabove recited shall constitute payment in full for

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however, be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water, Inc., by Access Road and Water Line Easements from Carrie White, a widow; Jimmy F. White and wife, Betty White; Donald White, a single man; Irene Heath, a widow; Wanda Davis and husband, Clifford Davis; Linda White Clay and husband, Jim Claude Clay; Jill White and husband, Richard White; Larry White and wife, Joyce White; and Mark White, a single man, dated February 25, 1986, and recorded February 25, 1986, in Deed Book 137, Page 168, Rowan County Clerk's Office.

#### TRACT 17

All of that certain parcel or tract of land lying and being in Rowan County, Kentucky near Cranston and on the waters of the Pond Lick Branch of the North Fork Triplett Creek and being more particularly described as follows:

Beginning at an iron pin (set this survey) on the southwest side of the hill, said iron pin being South 26 degrees 21 minutes East a distance of 111.3 feet from a set stone at a fence corner at the crest of the ridge, said stone being a corner to Kenneth R. Porter and George Goodpaster; thence North 33 degrees 37 minutes 55 seconds West a distance of 60 feet; thence North 56 degrees 22 minutes 05 seconds East a distance of 25 feet to the line of George Goodpaster; thence with Goodpaster South 33 degrees 37 minutes 55 seconds East a distance of 60 feet; thence leaving the line of Goodpaster South 56 degrees 22 minutes 05 seconds West a distance of 25 feet to the point of beginning and containing 0.0344 acres.

Also conveyed herein is a permanent easement for access, ingress and egress, and also for waterlines and appurtenances, and being twelve (12) feet in width lying six (6) feet on each side of the following described line:

Beginning at a point in Grantor's southeast line common with Donald Phillips, said point

twenty-five (25) feet in width lying nineteen (19) feet on the left side and six (6) feet on the right side of the following described line: North 33 degrees 38 minutes 34 seconds West a distance of 32 feet ± to the southeast line of afore-described Water Tank Parcel.

This easement shall be a perpetual easement, and the Grantee shall have the right to construct, install, lay and thereafter use, operate, inspect, repair, maintain, remove and replace waterlines located within said easement.

The consideration hereinabove recited shall constitute payment in full for any and all damages to the land of the Grantors, successors and assigns, by reason of the construction, installation, repair, maintenance, inspection and replacement of the waterline or lines.

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however, be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water Inc. by Deed of Conveyance and Easement from Raymond McDaniel and wife, Mary Jane McDaniel, dated December 14, 1985, and recorded February 25, 1986, in Deed Book 137, Page 175, Rowan County Clerk's Office.

#### TRACT 18

All of that certain parcel or tract of land lying and being in Rowan County, Kentucky approximately 0.5 miles northwest of the intersection of KY 377 and Rock Fork Road, and more particularly described as follows:

Beginning at a point in the centerline of a ridge, said ridge being the east property line of Williams, common to Zornes, said point being located S 21° 17' 07" E, 133.63 feet from an iron rod, property corner of Williams common to Zornes, said point also being located N 21° 17' 07" W, 18.14 feet from the center of a 12" hickory used as a T. V. antenna base; from said point of beginning: thence South

Also conveyed herein is an access road and water line easement, being described as follows:

Beginning at a point in the southeast property line of Williams, line common to Carrie White, said point being located S 48° 37' 57" W., 26.28' from an iron rod and axle at the centerline of the ridge, corner common to Williams, White and Zorne; from said point of beginning: thence North 20 degrees 41 minutes 02 seconds West 38.56' to a stake; thence North 16 degrees 47 minutes 30 seconds West 84.41' to a point in the south line of a tank site parcel to be granted by Williams to Rowan Water, Inc., said point being located N 66° 21' 12" E, 14.70' from an iron pin at the southwest corner of said parcel, as shown on plat recorded in Plat Book 2, Page 92, in the Office of the Clerk of Rowan County, Kentucky.

This easement shall be a perpetual easement, and the Grantee shall have the right to construct, install, lay and thereafter use, operate, inspect, repair, maintain, remove and replace waterlines located within said easement.

The consideration hereinabove recited shall constitute payment in full for any and all damages to the land of the Grantors, successors and assigns, by reason of the construction, installation, repair, maintenance, inspection and replacement of the waterline or lines.

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however, be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water, Inc., by deed from Glen Williams and wife, Vicky Williams, dated January 3, 1986, and recorded February 26, 1986, in Deed Book 137, Page 243, Rowan County Clerk's Office

TRACT 19

All of that certain parcel or tract of land lying and being in Rowan County, Kentucky, approximately 0.5 miles northwest of the intersection of KY 377 and Rock Fork Road, and being more particularly described as follows:

Beginning at a point in the centerline of a ridge, said ridge being the property line common to Zornes and Williams, said point being located N 21° 17' 07" W, 18.14' from the center of a 12" hickory tree used as a T.V. antenna base; from said point of beginning:

thence North 21 degrees 17 minutes 07 seconds West 52.59 feet to a point in the center of the ridge;  
thence North 76 degrees 23 minutes 54 seconds East 16.30 feet to an iron pin;  
thence South 20 degrees 34 minutes 40 seconds East 49.78 feet to an iron pin;  
thence South 66 degrees 21 minutes 12 seconds West 15.55 feet to the point of beginning, and containing 0.019 acre by survey as shown on plat recorded in Plat Book 2, Page 92, in the Office of the Clerk of Rowan County, Kentucky.

Being the same property conveyed to Rowan Water, Inc., by deed from Leroy Zornes and wife, Minnie I. Zornes, date January 4, 1986, and recorded February 28, 1986, in Deed Book 137, Page 246, Rowan County Clerk's Office.

TRACT 20

A permanent access road easement twenty-five (25) feet in width to the Grantee's water tank site, and a permanent waterline easement twelve (12) feet in width, to run in the middle of the permanent access road easement, the location of said easements being shown on the attached plat, and on the plat in Rowan Water Plat Book 2, Page 90, in the office of the Rowan County Court Clerk.

This easement shall be a perpetual easement, and the Grantee shall have the right to construct, install, lay and thereafter use, operate, inspect, repair, maintain, remove

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement, damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however, be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water, Inc., by Access Road and Waterline Easement from Donald Phillips and wife, Shirlene Phillips, dated March 3, 1986, and recorded March 5, 1986, in Deed Book 137, Page 267, Rowan County Clerk's Office.

TRACT 21

All of that certain parcel or tract of land lying and being in Rowan County, Kentucky near Slabcamp Church and on the southeast side of Clack Mountain East Road and being more particularly described as follows:

Beginning at an iron pin off the west side of a public gravel road, said iron pin being referenced South  $32^{\circ} 53' 10''$  East a distance of 357.86 feet from a nail (set) in the center of the Clack Mountain East Road opposite said public gravel road; thence South  $05^{\circ} 48' 59''$  East 49.94 feet parallel with the existing gravel road to an iron pin; thence South  $46^{\circ} 02' 48''$  West 61.67 feet to an iron pin; thence North  $36^{\circ} 23' 14''$  West 40.00 feet to an iron pin; thence North  $46^{\circ} 17' 25''$  East 84.25 feet to the point of beginning and containing 0.0675 acre according to survey.

Also conveyed herein is a permanent easement for access, ingress and egress, and waterlines and appurtenances, said easement being twelve (12) feet in width, lying six (6) feet on each side of the following described centerline:

Beginning at a nail (set) in the center of Clack Mountain East Road opposite a gravel road; thence with the center of the gravel road the following nine (9) calls:

South  $78^{\circ} 22'$  East 71.5 feet;  
North  $71^{\circ} 31'$  East 69.2 feet;  
South  $76^{\circ} 08'$  East 63.9 feet;  
South  $37^{\circ} 42'$  East 35.3 feet;  
South  $10^{\circ} 25'$  East 103.3 feet;  
South  $01^{\circ} 15'$  West 43.0 feet;  
South  $15^{\circ} 22'$  West 61.5 feet;  
South  $20^{\circ} 56'$  West 35.6 feet;  
South  $09^{\circ} 19'$  West 25.5 feet;  
thence South  $46^{\circ} 27'$  West 12.5 feet

This easement shall be a perpetual easement, and the Grantee shall have the right to construct, install, lay and thereafter use, operate, inspect, repair, maintain, remove and replace waterlines located within said easement.

The consideration hereinabove recited shall constitute payment in full for any and all damages to the land of the Grantors, successors and assigns, by reason of the construction, installation, repair, maintenance, inspection and replacement of the waterline or lines.

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water, Inc., by deed and easement from Wayne Black and wife, Judith K. Bl. dated October 11, 1985, and recorded March 5, 1986, in Deed Book 137, Page 271, Rowan County Clerk's Office.

TRACT 22

All of that certain parcel or tract of land lying and being in Rowan County, Kentucky near Cranston and on the waters of Weaver Branch of the North Fork of Triplett Creek and being more particularly described as follows:

Beginning at an iron pin (set this survey) on the north side of the hill, said iron pin being South 60° 49' 50" East a distance of 56.7 feet from a set stone at a fence corner at the crest of the hill, said stone being a common corner with Kenneth R. Porter and Raymond McDaniel; thence South 56° 22' 05" West a distance of 15 feet to the line of McDaniel; thence with the line of McDaniel South 33° 37' 55" East a distance of 60 feet; thence leaving McDaniel North 56° 22' 05" East a distance of 15 feet; thence North 33° 37' 55" West a distance of 60 feet to the point of beginning, and containing 0.0207 acres.

Also conveyed herein is a permanent easement for access, ingress and egress, and also for waterlines and appurtenances, and being fifteen (15) feet in width and lying east of, immediately adjacent to and parallel with

The consideration hereinabove recited shall constitute payment in full for any and all damages to the land of the Grantors, successors and assigns, by reason of the construction, installation, repair, maintenance, inspection and replacement of the waterline or lines.

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however, be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water, Inc., by deed and easement from George Goodpaster and wife, Irene Goodpaster, dated December 2, 1985, and recorded March 20, 1986, in Deed Book 137, Page 325, Rowan County Clerk's Office.

#### TRACT 23

A certain tract or parcel of land located in Fleming County, Kentucky and located on the right of way of Kentucky Highway 801 and beginning at said right of way approximately 400 feet South of the residence of James W. Wells; hence with the right of way of Kentucky Highway 801 South for a distance of 100 feet; hence at a right angle West for a distance of 100 feet; hence at a right angle North parallel with Highway 801 for 100 feet; hence at a right angle 100 feet East to the point of beginning.

Being the same property conveyed to Rowan Water, Inc., by deed from James W. Wells and wife, Muriel Wells, dated July 10, 1969, and recorded July 19, 1969, in Deed Book 128, Page 554, Fleming County Clerk's Office.

(Note: A separate mortgage has been filed with the Fleming County Court Clerk's Office.)

#### TRACT 24

"A certain tract or parcel of land lying and being in the County of Fleming, Commonwealth of Kentucky, and being more particularly bounded and described as follows:

Jackson, David Porter, and Loretta Cassidy; thence S 53° 38' 00" E 20.0 feet to a stake in the center of a dirt road, said stake being a corner to Loretta Cassidy; thence with the line of Cassidy and Jackson two (2) calls: N 84° 27' 29" E 33.0 feet to a stake, S 56° 40' 38" E 55.7 feet to a stake; thence leaving the line of Cassidy N 36° 22' 00" E 30.0 feet to an iron pin; thence N 53° 38' 00" W 104.32 feet to an iron pin in the line of Porter and Jackson; thence with the line of Porter and Jackson two (2) calls: S 26° 54' 44" W 17.43 feet to a twin 12" white oak, S 34° 26' 09" W 37.83 feet to the point of beginning and containing 0.092 acres".

Being the same property conveyed to Rowan Water, Inc., by deed from John D. Jackson and wife, Anna L. Jackson, dated February 18, 1982, and recorded May 18, 1982, in Deed Book 154, Page 255, Fleming County Clerk's Office.

(Note: A separate mortgage has been filed with the Fleming County Court Clerk's Of

TRACT 25

All of that certain tract or parcel of land, lying and being in Rowan County, Kentucky, on the west side of Seas Branch Road, and being more particularly described as follows:

Beginning at an iron pin set 7 feet more or less south of the south edge of a gravel access road leading to a cemetery, said iron pin being also referenced South 53 deg. 31' 26" West a distance of 238.4 feet from a decayed stump believed to be Grantor's northeast property corner; thence from said iron pin South 55 deg. 46' 08" West 50.02 feet to an iron pin set; thence South 36 deg. 46' 21" East 49.90 feet to an iron pin set; thence North 55 deg. 41' 38" East 49.84 feet to an iron pin set; thence North 36 deg. 34' 02" West 49.83 feet to the point of beginning and containing 0.057 acres according to survey.

Being the same property conveyed to Rowan Water, Inc. by deed from Marie Black, a widow, dated February 1, 1991, and recorded in Deed Book 153, Page 38, Rowan County Clerk's Office.

All of that certain parcel or tract of land lying and being in Rowan County, Kentucky approximately 2.1 miles east along KY Highway 174 from its junction with U.S. Highway 60 and approximately 400 feet south of said KY Highway 174; and being more particularly described as follows:

Beginning at an iron pin (set) in Grantor's west property line common with Estil Hinton, said iron pin being South 25 deg 51 min 20 sec West 40.0 feet along said property line from an iron pin (found), a corner with Estil Hinton; thence leaving Hinton for three (3) new calls through Grantor:

South 64 deg 08 min 40 sec East 60.0 feet to an iron pin (set),  
South 25 deg 51 min 20 sec West 60.0 feet to an iron pin (set),  
North 64 deg 08 min 40 sec West 60.0 feet to an iron pin (set) in

Grantor's west property line common with Hinton; thence with Hinton North 25 deg 51 min 20 sec East 60.00 feet to the point of beginning and containing 0.0826 acre.

Also, an easement for access, ingress and egress, and water lines and appurtenances being twelve (12) feet in width lying six (6) feet on each side of the following described centerline:

Beginning at a point in the north line of the above described Tank Site Parcel, said point being South 64 deg 08 min 40 sec East 12.0 feet along said line from the north corner of said Tank Site Parcel; thence twenty-three (23) calls through Grantor:

North 63 deg 12 min 12 sec East 33.85 feet,  
South 81 deg 23 min 25 sec East 135.11 feet,  
South 89 deg 20 min 25 sec East 77.50 feet,  
North 69 deg 53 min 06 sec East 35.02 feet,  
North 51 deg 22 min 26 sec East 106.90 feet,  
North 46 deg 17 min 58 sec East 51.29 feet,  
North 36 deg 42 min 20 sec East 104.77 feet,  
North 44 deg 15 min 03 sec East 98.20 feet,  
North 56 deg 35 min 50 sec East 44.70 feet,  
North 88 deg 07 min 07 sec East 37.05 feet,  
South 56 deg 12 min 12 sec East 22.62 feet,  
South 11 deg 13 min 43 sec East 107.29 feet,  
South 16 deg 46 min 38 sec East 63.13 feet,  
South 16 deg 06 min 53 sec East 46.10 feet,  
South 0 deg 43 min 08 sec East 58.22 feet,  
South 03 deg 03 min 09 sec West 7.31 feet,  
South 02 deg 46 min 16 sec East 107.96 feet,  
South 06 deg 59 min 35 sec East 36.56 feet,  
South 07 deg 08 min 28 sec East 103.99 feet,  
South 08 deg 01 min 47 sec East 81.13 feet,  
South 18 deg 33 min 11 sec East 94.93 feet,  
South 15 deg 26 min 43 sec East 72.87 feet.

The Grantee covenants that it will maintain the easement in good repair so that no unreasonable damage will result from its use to the adjacent land of the Grantors, successors and assigns. Any structures presently located on the easement damaged by the Grantee shall be repaired by the Grantee. The Grantee shall not, however, be responsible for damage to landscaping and grass.

Being the same property conveyed to Rowan Water, Inc. by deed from James R. Eldridge and wife, Thelma A. Eldridge, dated November 15, 1990, and recorded in Deed Book 153, Page 41, Rowan County Clerk's Office.

TRACT 27

All of that certain tract or parcel of land, lying and being in Rowan County, Kentucky, on the west side of Bearskin Branch Road, and being more particularly described as follows:

Beginning at an iron pin (set) in the west right-of-way of Bearskin Branch Road, said iron pin being South 24 deg. 13' 11" West a distance of 39.44 feet from the centerline of Bearskin Branch Road and the intersection of Grantor's north property line; thence a new line with Grantor South 84 deg. 39' 06" West a distance of 25.16 feet to an iron pin (set); thence another new line with Grantor South 02 deg. 00' 20" East a distance of 24.94 feet to an iron pin (set); thence another new line with Grantor North 84 deg. 40' 54" East a distance of 25.15 feet to an iron pin (set) in the west right-of-way of Bearskin Branch Road; thence with said right of way North 02 deg. 00' 00" West a distance of 24.95 feet to the point of beginning, and containing 0.014 acre.

Being the same property conveyed to Rowan Water, Inc. by deed from Bertlee Johnson, a single person, dated January 18, 1991, and recorded in Deed Book 153, Page 398, Rowan County Clerk's Office.

TRACT 28

All of that certain tract or parcel of land, lying and being in Carter County, Kentucky, on the north side of U.S. Highway 60 and on the west side of a gravel road, and being more particularly described as follows:

Beginning at a 1" steel pipe found at the west right-of-way of a gravel road and being Grantor's northeast property corner; thence with Grantor's north property line South 89 deg. 13' 00" West a distance of 19.88 feet to an iron pin (set); thence a new line with Grantor South 32 deg. 11' 48" East a distance of 20.18 feet to an iron pin (set); thence another new line with Grantor North 88 deg. 15' 08" East a distance of 20.08 feet to an iron pin (set) in the west right-of-way of a gravel road; thence with said right-of-way North 33 deg. 10' 00" West a distance of 19.99 feet to the point of beginning, and containing 0.0079 acre.

Being the same property conveyed to Rowan Water, Inc. by deed from Thelma Jean Skaggs, a widow, dated January 28, 1991, and recorded in Deed Book 208, Page 366, Carter County Clerk's Office.

(Note: A separate mortgage has been filed with the Carter County Court Clerk's Office.)



*John*

5/44

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

REAL ESTATE MORTGAGE FOR KENTUCKY

91-15

THIS MORTGAGE is made and entered into by Rowan Water, Inc., a Kentucky Corporation

residing in Rowan County, Kentucky, whose post office address is 110 Hargis Avenue, Morehead, Kentucky 40351, herein called "Borrower," and:

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

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
07/19/91	\$1,298,000.00	5%	07/19/2031
09/15/92	\$386,000.00	5%	09/15/2032
12/10/96	\$121,000.00	4.5%	12/10/2036
05/13/98	\$1,230,000.00	4.5%	05/13/2038

This mortgage is a second mortgage on tracts 1-24, inclusive, inferior only to a first mortgage to First Security National Bank and Trust Co., dated 7/27/86, of record in Mortgage Book A-66, Page 390. 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 ROWAN

See attached "Exhibit A"

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, sub-ordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.

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

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

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

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

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

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

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

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

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

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

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

Given under the hand(s) and seal(s) of Borrower this 13th day of May, 1998.  
BY: ROWAN WATER, INC.  
SHERMAN ARNETT, PRESIDENT (SEAL)  
HENRY CLINE, SECRETARY/TREASURER (SEAL)

STATE OF KENTUCKY  
COUNTY OF ROWAN } ss:

Before me, Truman L. Dehner, a Notary Public in and for the County of Rowan personally appeared Sherman Arnett, President and Henry Cline, Secretary/Treasurer and

who acknowledged that they executed the foregoing instrument on the 13th day of May, 1998, as their free act and deed.

WITNESS my hand and official seal this 13th day of May, 1998.  
(SEAL) J. T. Dehner Notary Public  
My commission expires: 9/22/1998

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 Truman L. Dehner, Attorney at Law,  
(name)  
206 East Main Street, Morehead KY 40351  
(address) J. T. Dehner  
(Signature)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY  
COUNTY OF Rowan } ss:

I, Glenn W. Bailey, Clerk of the County Court for the County aforesaid, do certify that the foregoing mortgage was on the 13th day of May, 1998, lodged for record at 4:23 o'clock P. M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this 13th day of May, 1998.  
Glenn W. Bailey  
Clerk of Rowan County Court  
By John A. Blum, D.C.



9/25

738

Form RD 3550-14 KY  
(11-96)

Space Above This Line For Recording Data

Form Approved  
OMB No. 0575-0172

United States Department of Agriculture  
Rural Housing Service

### MORTGAGE FOR KENTUCKY

THIS MORTGAGE ("Security Instrument") is made on October 24, 2007. [Date]  
The mortgagor is ROWAN WATER, 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:

Date of Instrument

Principal Amount

Maturity Date

SEE "EXHIBIT A" ATTACHED HERETO

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. §§ 1472(g) or 1490a. For this purpose, Borrower does hereby mortgage, grant, and convey to Lender the following described property located in the County of ROWAN, State of Kentucky

SEE "EXHIBIT B"  
ATTACHED HERETO AND INCORPORATED  
BY REFERENCE HEREIN.

which has the address of multiple addresses in Rowan County  
Kentucky [ZIP] [Street] [City]  
("Property Address");

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

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

*Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Agriculture, Clearance Officer, STOP-7602, 1400 Independence Ave., SW, Washington, D.C. 20250-7602. Please DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB number.*

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

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

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

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

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

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

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

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

**3. Application of Payments.** Unless applicable law or Lender's regulations provide otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied in the following order of priority: (1) to advances for the preservation or protection of the Property or enforcement of this lien; (2) to accrued interest due under the Note; (3) to principal due under the Note; (4) to amounts required for the escrow items under paragraph 2; (5) to late charges and other fees and charges.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ROWAN WATER, INC.

Steve Eldridge [SEAL]  
STEVE ELDRIDGE, PRESIDENT *Borrower*

Enoch Blair [SEAL]  
ENOCH BLAIR, SEC./TREAS. *Borrower*

STATE OF KENTUCKY  
COUNTY OF ROWAN



ss :

ACKNOWLEDGMENT

Before me, Truman L. Dehner, a Notary Public in and for the County of State-at-Large, personally appeared Steve Eldridge, President; and Enoch Blair, Sec./Treas. of Rowan Water, Inc who acknowledged that they executed the foregoing instrument on the 24th day of October, 2007 as their free act and deed.

WITNESS my hand and official seal this 24th day of October, 2007.

[SEAL]

J. Dehner Notary  
Public, State-at-Large

My commission expires 09/22/2010

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:

TRUMAN L. DEHNER  
ATTORNEY AT LAW

J. Dehner  
(Signature)

(Name)

206 EAST MAIN STREET, MOREHEAD, KY 40351

(Address)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY  
COUNTY OF \_\_\_\_\_



ss :

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

Given under my hand this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Clerk of County Court

By \_\_\_\_\_, D.C.

**"EXHIBIT A"**

Incorporated by reference in the Mortgage from Rowan Water, Inc., to United States of America, Rural Housing Service, USDA, dated October 24, 2007.

<u>DATE OF INSTRUMENT</u>	<u>PRINCIPAL AMOUNT</u>	<u>MATURITY DATE</u>
07/19/91	\$1,298,000.00	07/19/2031
09/15/92	\$ 386,000.00	09/15/2032
12/10/96	\$ 121,000.00	12/10/2036
05/13/98	\$1,230,000.00	05/13/2038
05/09/01	\$ 359,000.00	05/09/2041
01/27/04	\$ 685,200.00	01/27/2044
10/24/07	\$ 600,000.00	10/24/2047

(L  
N)



131  
91-27  
91-29

Return to  
Dehner + Ellis, P.S.

5/40

USDA  
Form RD 1927-1 KY  
(Rev. 1-97)

Position 5

REAL ESTATE MORTGAGE FOR KENTUCKY

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

residing in ROWAN County, Kentucky, whose post office

address is 110 SOUTH HARGIS AVENUE, MOREHEAD, Kentucky 40351,

herein called "Borrower," and:

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

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
07/11/2012	\$931,000.00	2.750%	07/11/2052
07/11/2012	\$100,000.00	2.750%	07/11/2052

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

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

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

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

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

County or Counties of ROWAN

ROWAN COUNTY  
A325 PG131

SEE "EXHIBIT A"  
ATTACHED HERETO AND INCORPORATED  
BY REFERENCE HEREIN.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Given under the hands and seals of Borrower this 11th day of JULY, ~~XX~~ 2012

ROWAN WATER, INC. (SEAL)

LARRY JOHNSON, PRESIDENT (SEAL)

STATE OF KENTUCKY

ENOCH BLAIR, SECRETARY/TREASURER (SEAL)

COUNTY OF ROWAN } ss:

Before me, TRUMAN L. DEHNER, a Notary Public in and for  
the County of STATE-AT-LARGE personally appeared LARRY JOHNSON, PRESIDENT;  
AND ENOCH BLAIR, SECRETARY/TREASURER OF ROWAN WATER, INC. ~~XX~~ XX.

who acknowledged that they executed the foregoing instrument on the 11th  
day of JULY, 2012 ~~XX~~, as their free act and deed.

WITNESS my hand and official seal this 11th day of JULY, 2012 ~~XX~~.

[Signature]  
Notary Public  
NOTARY ID #427125

(SEAL)  
My commission expires: 09/22/14

**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

TRUMAN L. DEHNER  
ATTORNEY AT LAW

206 EAST MAIN STREET, MOREHEAD, KY 40351

[Signature]  
(Signature)

**RECORDER'S SIGNATURE**

STATE OF KENTUCKY }  
COUNTY OF \_\_\_\_\_ } ss:

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

Given under my hand this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Clerk of \_\_\_\_\_ County Court  
By \_\_\_\_\_, D.C.





"EXHIBIT A"

Incorporated by reference in the Mortgage from Rowan Water, Inc. to United States of America, Rural Housing Service, USDA, dated January 27, 2004.

<u>DATE OF INSTRUMENT</u>	<u>PRINCIPAL AMOUNT</u>	<u>MATURITY DATE</u>
07/19/91	\$1,298,000.00 ✓	07/19/2031
09/15/92	386,000.00	09/15/2032
12/10/96	121,000.00	12/10/2036
05/13/98	1,230,000.00	05/13/2038
05/09/01	359,000.00	05/09/2041
01/27/04	685,200.00	01/27/2044

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

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

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

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

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

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

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

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

3. **Application of Payments.** Unless applicable law or Lender's regulations provide otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied in the following order of priority: (1) to advances for the preservation or protection of the Property or enforcement of this lien; (2) to accrued interest due under the Note; (3) to principal due under the Note; (4) to amounts required for the escrow items under paragraph 2; (5) to late charges and other fees and charges.

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

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

Page 2 of 6

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ROWAN WATER, INC.

BY: Steve Eldridge [SEAL]  
STEVE ELDRIDGE, Borrower PRESIDENT

BY: Edward L. Lundergan [SEAL]  
EDWARD LUNDERGAN Borrower SEC./TREAS.

STATE OF KENTUCKY }  
COUNTY OF ROWAN } ss :

ACKNOWLEDGMENT

Before me, Truman L. Dehner, a Notary Public in and for the County of Rowan, personally appeared Steve Eldridge, President and Edward Lundergan, Sec./Treas. who acknowledged that they executed the foregoing instrument on the 27th day of January, 2004, as their free act and deed.

WITNESS my hand and official seal this 27th day of January, 2004

[SEAL]

Truman L. Dehner Notary Public

My commission expires 9/22/06

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:

Truman L. Dehner

Truman L. Dehner (Signature)

Dehner & Ellis, P.S.C., 206 East Main Street, Morehead, KY 40351  
(Name) (Address)

RECORDER'S CERTIFICATE

STATE OF KENTUCKY }  
COUNTY OF \_\_\_\_\_ } ss :

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

Given under my hand this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Clerk of County Court  
By \_\_\_\_\_, D.C.

# **EXHIBIT H**

Notification to State Local Debt Officer

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

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT  
NICHOLAS J. LOCOCO

February 24, 2021

Honorable Dennis Keene  
Commissioner and State Local Debt Officer  
100 Airport Road, Third Floor  
Frankfort, Kentucky 40601

Re: Rowan Water, Inc.  
Notice of Intent to Issue Securities

Dear Commissioner Keene:

Pursuant to the regulations of the Kentucky Public Service Commission, specifically 807 KAR 5:001: Section 18(1)(g), please be advised that Rowan Water, Inc. (the "Association") hereby notifies the State Local Debt Officer that the Association intends on issuing securities in the form of a loan from the Kentucky Rural Water Finance Corporation ("KRWFC") for the purpose of refinancing certain outstanding indebtedness of the Association in order to achieve substantial interest cost savings for the Association.

We will file the appropriate documents with your office in accordance with the requirements of KRS 65.117 once the securities are issued.

Very truly yours,

Rubin & Hays

By

  
W. Randall Jones

WRJ:jlm  
Enclosures