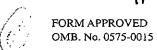
Form FmHA 1942-9 (Rev. 10-96)

## LOAN RESOLUTION SECURITY AGREEMENT

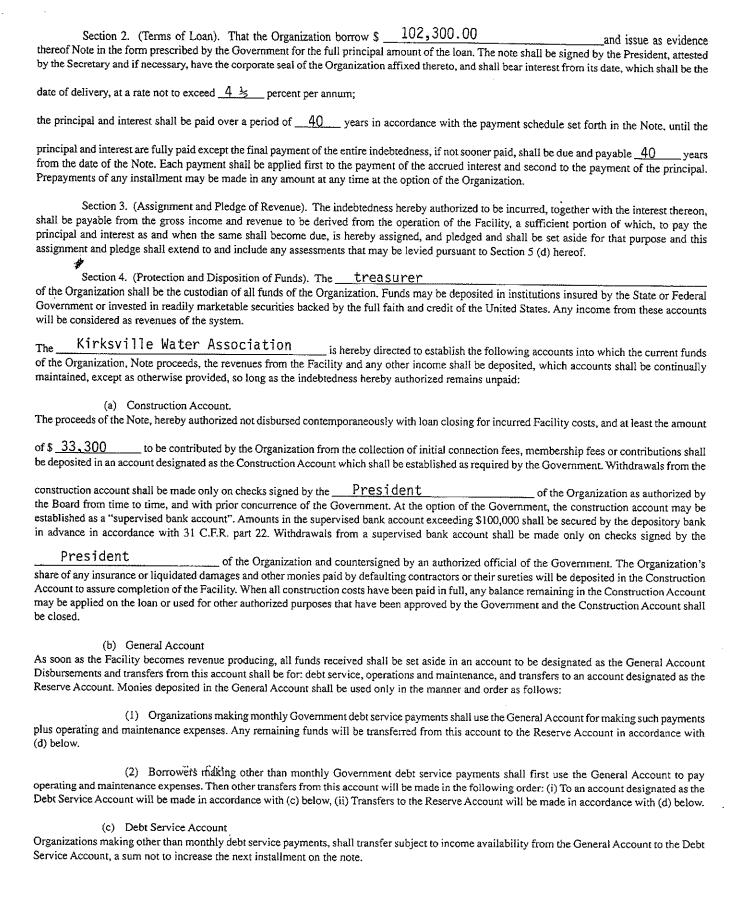


A RESOLUTION OF THE Membership
OFTHE Kirksville Water Association, Inc.
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
PRINCIPAL AMOUNT OF \$102,300.00 FOR THE PURPOSE
PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A
<u>water systems</u> , PROVIDING FOR THE COLLECTION, HANDLING, AND DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY NOTES, SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND SECURE THE PAYMENT OF SAID INDEBTEDNESS AND FOR RELATED PURPOSES.
WHEREAS, the Kirksville Water Association, Inc. ,(hereinafter
erred to as the "Organization"), was organized under <u>Kentucky Revised Statutes Chapter 273</u>
for the purpose of providing a
rural water distribution system
(hereinafter referred to as the acility") to serve the members of the said Organization; and
WHEREAS, a meeting of the members of the said Organization was held on the 15th day of September, 1998 rsuant to proper notice thereof to consider plans for the acquisition, construction, and methods of financing the Facility:
d, as shown by the minutes of said meeting, of the 1.286 members of record of the Organization there were present and voting
, and by a recorded vote, the Facility and its financing were authorized; and,
WHEREAS, the proposed Facility is to be constructed and in accordance with plans and specifications
epared by Chrisman, Miller Woodford, Inc.
d in order to finance the Facility, the <u>Kirksville Water Association</u> ereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the Organization, to make application the United States of America, through the United States Department of Agriculture, (hereinafter referred to as the "Government"), for financial sistance; to cause the execution and delivery of an installment promissory note or notes or other evidence of indebtedness (hereinafter referred to the "Note"), and appropriate security instruments to secure any loan or loans made or insured by the Government; to comply with any requirements, may or conditions prescribed by the Government or by Government regulations; and to execute contracts or enter into agreements and evidation, to take any and all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, or equip the ciliary for and on behalf of the Organization.

NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into consideration prevailing private and cooperative rates and terms currently available;

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(d) Reserve Account  From the remaining funds in the General Account, after transfers and payments required in (b) (1) or (b) (2) and (c), there shall be set aside into
the Reserve Account the sum of \$
\$ entire life of loan after which deposits may be suspended, except to replace withdrawals. When necessary disbursements may be used for payments due on the Note if sufficient funds are not available in the General or Debt Service Account. With the prior written approval of the Government, funds may be withdrawn for:
<ol> <li>paying the cost of repairing or replacing any damage to the Facility which may have been caused by catastrophe, or</li> <li>making extensions or improvements to the Facility.</li> </ol>
Whenever disbursements are made from the Reserve Account, monthly deposits shall then be resumed until there is again
accumulated the amount \$ 24,000 , at which time deposits may be discontinued. Whenever there shall accumulate in the General Account, amounts in excess of those required in subsections (b)(1) and (2), (c), and (d), such excess will be used by the Organization to make prepayments on the loan or retained in the General Account. The accounts required in subsections (b) (1) and (2), (c) and (d may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.
Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid:
(a) It will indemnify the Government for any payments made or losses suffered by the Government.
(b) It will comply with applicable state laws and regulations and continually operate and maintain the Facility in good condition
(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for the payment of the operation and maintenance thereof and the installment payments on the Note and the maintenance of the various accounts herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization.
(d) If, for any reason, gross revenues are insufficient, it will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the Note as the same become due.
(e) It will (i) establish and maintain such books and records relating to the operation of the Facility and its financial affairs (ii) will provide for the annual audit thereof in such manner as may be required by the Government, (iii) will provide the Government without it request a copy of each such audit, and (iv) will make and forward to the Government such additional information and reports as it may from tim to time require.
(f) It will provide the Government, at all reasonable times, access to the Facility and all its books and records so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making of insuring of the loan.
(g) It will maintain at least such insurance and fidelity bound or employee dishonesty coverage as may be required by the Governmen
(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.
(i) It will not cause or permit any voluntary dissolution of the Organization or merge or consolidate with an other organization without obtaining the prior written consent of the Government. It will not dispose of, or transfer title to the Facility or any part thereof, including lands and interest in lands by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government Revenue, in excess of the amount required to maintain the accounts described by Section 4 herein, will not be distributed or transferred to any other organization or legal entity.
(j) It will not modify or amend its organizational documents, including any articles of incorporation or bylaws without the writte consent of the Government.

pledged as security for the loan.

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain

(1) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the Facility are

Government's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal,

such person shall have a direct right of action against the Organization or public body.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this Facility for the purpose of avoiding or reducing the adverse environmental impacts of the Facility's construction or operation.

Section 6. (Security Instruments). In order to secure the payment of the principal and interest of the Note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets, both real and personal, constituting said Facility, as completed, or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government.

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time the Organization will, upon request of the Government, apply for, and accept, such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form FmHA 400-1, "Equal Opportunity Agreement", and Form FmHA 400-4, "Assurance Agreement".

Section 9. (Authorization of Officials). In the case of a grant in the sum not to exceed \$\frac{306,900}{and}\$, the Organization hereby accepts the grant under the terms as offered by the Government and that the President and Secretary of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the Facility under the terms as offered in said grant agreements.

Section 10. (Cross Default). Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. (Effective Date). This resolution shall take effect September , 19 98, being the date of its enactn	and be in force from and after the <u>15th</u> day of nent.
The vote was: Yeas	4 Z Nays O Absent
(SEAL) (if applicable)  Attest:  Attest:  Attest:  Attest:	Kirksville Water Association  By Otis Bunk  Title President
Title Secretary CFD	
	TIFICATION
I, the undersigned, as secretary of the Kirksville Wa	ter Association
chose in accendance	of such Organization or Corporation is composed of 1,286 a meeting thereof duly called and held on the 15thday of September;
	by the vote shown above, and that said resolution has not been rescinded or
Dated, this 15th day of September , 1998.	Carl France

Kirksville Water Association